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The Outlook

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Europe and the Stock Market—Further Necessity for Reduction of Government Expenditures—Mr. Untermyer and His Latest Reform

FOR some time past, stock market operators have been inclined to urge that the European situation had little or no effect on market conditions here. How sincere they were in such assertions can only be conjectured.

The German mark is now out of sight in the depths with a value running as low as twenty-four thousand to the dollar. As was predicted a few months ago, it has followed the Austrian crown. Holders of German marks, it is true, have long since reconciled themselves to a practically total loss. But how about francs and franc securities? There has been hope against hope that French currency would recover.

France is a rich nation with resources, damaged it is true by the war, but still very large. France, however, has been depending upon German reparations payments to balance her budget, and it is in the effort to collect these payments that she has entered the Ruhr. Unfortunately, it is now but too evident that this course of action is not likely to bring her any funds, and that, on the contrary, it will cost her great sums of money with no return. Can the franc be expected to hold its own in such circumstances? Can the securities of France be expected to hold their value if francs follow marks downward into the abyss of depreciated paper? Logic would hardly warrant such a conclusion.

There are many holders of franc securities in the United States, and probably many holders of French dollar securities as well as of francs themselves. There are many individuals who have large interests in France, and our foreign trade, seriously affected by the falling away of Germany, will be affected in a cumulative way by the parallel difficulties of the neighboring country.

We cannot escape the effect upon our local finances to be anticipated from the European débâcle, no matter how hard we may try. It will not only put out of the question that collection of the Government indebtedness due us to which so many have been looking with hopeful eye, but it will also seriously jeopardize the prospects of improvement in business that have been so confidently looked to by forecasters who foresaw great things for our local market. The prospects of foreign trade and of European recovery were indeed ranked by all those who had anything to say about the outlook for 1923, as elements of the first importance which could not properly be neglected in making predictions. Unfavorable developments in foreign relations have admittedly been viewed as likely to exert the most portentous effect upon domestic business conditions, just as the opposite kind of influence—improvement abroad—was regarded as calculated to help the outlook.

It is perfectly idle, then, to attempt longer to conceal the influence of foreign economic and political disturbance and depression upon our stock and investment situation. True, as some point out, it might be that war in Europe would result in a greater demand for American goods, although how they would be paid for is still a mystery. We certainly should not want to give them away, as it now appears that we did during the recent war. But fortunately no such outcome as actual war is in sight, and there is no reason to expect an inflationary demand for American products. There is ample

ground to look for continued depression and disturbance abroad with possible resultant reactionary effect upon values here. Is there anything that we can or should do to ward this off, and, if so, what can be the nature of it?

We shall never, probably, succeed in getting our industrial and investment situation restored to a profitable basis until there is a more or less complete recovery in Europe. That will take a long time. Meanwhile, the sooner a beginning is made toward bringing about some cessation of the present unsettled and alarming conditions the sooner we shall reach a satisfactory approach to a basis of adjustment in this country. There is nothing to be hoped from a condition of affairs in which we simply sit idle and wait for matters to correct themselves automatically. The European situation is essentially financial and economic in its basis, and it is therefore a proper subject for discussion on our part, involving us as it will in no military or naval commitments. It is essentially a business question, but above all else it is a question of our own business.

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BREAKDOWN OF DEBT NEGOTIATIONS

It is an unfortunate thing that what appears to have been a complete breakdown of the British debt negotiations should have taken place. Especially is this to be regretted when we consider that the controversy appears to have concerned itself almost entirely with details. So far as the public is advised, Great Britains' representatives had nothing to say about the way in which the money advanced to them was spent, or concerning the alleged moral obligation of the United States to bear a proportionate share of the war burden.

They conceded all this, or at all events failed to question it, recognizing that they had incurred obligations and had left their securities with the United States Treasury, so that the problem today is not that of the morality or ethics of the distribution of the load, but is simply the plain question whether payment can and will be made. As to this, the problem is again not whether Great Britain has the "wealth," or "can afford" to pay what we ask, but is simply whether that country can provide dollar remittances semi-annually in an amount sufficient to meet her interest and instalments.

Now this is a purely technical question of finance and foreign trade. We have stated that we want to keep trade with Great Britain as small as possible, giving utterance to that sentiment in substance in our recent tariff law. We do not want Great Britain to cease buying commodities here, and the inevitable conclusion from these two factors in the problem is simply that the available annual balance which Great Britain can apply to the debt will be correspondingly reduced. She can pay at a certain rate and is apparently willing to do so. We ought to come to terms on this matter and do it quickly, either permitting conditions to exist that will allow larger annual payments or else contenting ourselves with what can be transferred under existing conditions. This is the part of good business.

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THE TREASURY'S BORROWING POWER

Interesting light has been thrown upon the borrowing power of the Treasury by recent offerings on this market. The department has succeeded in obtaining a substantial loan at 4%, with considerable oversubscriptions. At the same time, short-term 4¼'s are holding their own at a figure near par, but the long-term 4¼% bonds, although possessing a substantial tax exemption, continue below par and show no signs of returning to that level. There are not a few who are inclined to view the Treasury's borowing power, with obligations subject to complete taxation, at only about 4¾% or a very little better. This suggests that the department would have done well to carry through a much larger refunding program eight months ago.

As things stand, however, further postponement will be likely to make our government financing cost more and more. There is no apparent reason to anticipate any further cuts in the price of money to the government, the only cheapening that is to be expected being temporary and seasonal, due to the possible placing of loans at times when commercial demands are not very heavy.

From some points of view, this situation places our future financing in a rather unenviable light. It points clearly to the belief that we shall not soon be able to reduce the burden of interest charges; indeed, that in the event of gradual elimination of tax exemption, these charges may grow heavier. All these are factors that should be carefully borne in bind in our annual budget adjustment. The current borrowing experience of the department emphasizes the absolute necessity for curtailment in public expenditure.

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MR. UNTERMYER'S LATEST

The report of the Lockwood "Housing" Committee has at last made its appearance in the form of a general plan for the recti-

fication of Stock Exchange practices. True, some other factors are included—such as a demand for a State Trade Commission and an improvement in the investment situation, but after all there is in this report very little "housing" and a good deal of stock and investment discussion. This was to be expected, with the committee in charge of its counsel who is well known to be fond of Stock Exchange regulation schemes.

How many times more he will bring up these plans, which first figured at the time of the money trust investigation ten years ago, no human being can conjecture. What is certain is that a good many of the plans suggested are, at least in a measure, likely to be beneficial, rather than hurtful, and that in and of themselves they are well worthy of study.

Again and again needful Stock Exchange reform has been thrust aside, and there is something to be said in favor of any policy that will really bring it to the front and get some action on it, although not perhaps along the lines that Mr. Untermyer urges. But there are many causes that are hurt by their friends and this is one of them. It ought to be accepted as axiomatic that Mr. Untermyer cannot get his ideas put into effect as he apparently feels that it is possible for him to do. For one reason or another, whether justly or unjustly, the community has reached the conclusion that it is indisposed to place in his hands the task of revising Stock Exchange methods. Roundabout plans for taking up the work, like those now proposed by the Lockwood Committee, are calculated to alienate support rather than to attract it, and so a good movement suffers when it really ought to be strengthened.

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WHAT DOES BUSINESS INDICATE?

WHAT does the general condition of business indicate with reference to stock and investment conditions? The situation in this regard is rather clearer than it has been for the past few weeks. There is nothing in the business outlook that warrants any continuation of the uncontrolled optimism that has been indulged by some of our "boomers" who have been predicting a "bull market." The chilling inferences drawn from the foreign situation are, of course, unmistakable. But, in addition to these, a good deal that is coming to light concerning the actual condition of domestic business is of such a nature as at least to give occasion for serious thought.

There is no prospect whatever of any tremendous upswing in manufacturing, such as some have forecast, while demand, although quite as good as could be expected under existing conditions, certainly has not the phenomenal quality that some have assigned to it. The recession in the "forward orders" of the U. S. Steel Corporation, although not great, has been reflected in other lines, and it is still questionable what may be the outcome for the spring and summer of the coming year. There are, however, certain branches of industry in which good demand, extending through the year, seem to be fairly assured, but they are far from universal.

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FLOATING NEW SECURITIES

THE fact that several very large issues of new securities have lately come upon the market calls attention once more to the somewhat "waterlogged" condition that is likely to ensue, if present methods are continued. Already, in some classes of securities, there is a very substantial volume of "undigested" issues. This is especially the case with foreign securities, and it may also prove to be more generally the fact than is commonly supposed, in connection with industrial and other corporation issues that have been sold in large quantities within recent months.

How far is the public willing to take up these issues? That depends a good deal upon the condition of business and its prospects for profit. Considerable indifference has been shown towards some recent issues, and those who have offered them to the public have at times been driven to the expedient of pretending that the entire issue had been taken up and therefore of "closing the books," notwithstanding that as a matter of fact very few of the securities had been sold.

The truth is that an inspection of the statements of a good many industrial concerns for 1922 is not particularly reassuring, and in consequence various would-be buyers of securities have been disposed to hesitate pending the time when they could see the indication of a better budget situation. It is this state of things that has tended to drive various investors into government bond issues and other public-service offerings of a like kind, with the result that these have often been oversubscribed.

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MARKET PROSPECT

WITHIN the past few days the market has shown its power to withstand the adverse influence of European conditions and is now in a position to take a new step forward, led by the Railroad, Steel, Equipment, Petroleum, and other leading groups. A somewhat elaborated view of this position will be found on the Editor's Page (581).

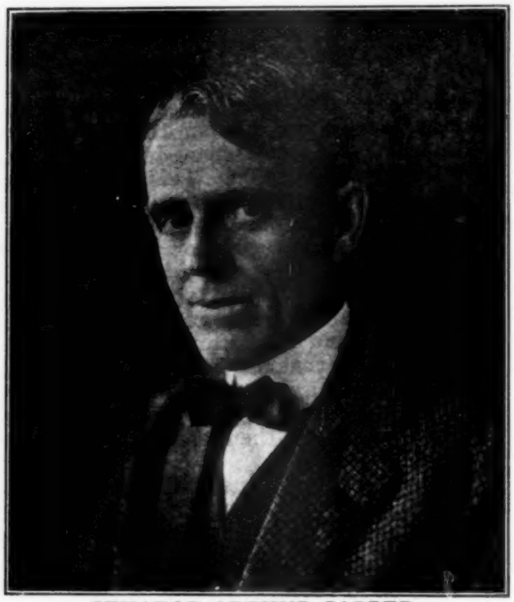
Monday, January, 29, 1923.

"A Causative Act of the Most Momentous Nature!"

France Enters the Ruhr!

What the Occupation May Mean to American Business, World Business and Civilization

By HON. ARTHUR CAPPER
U. S. Senator from Kansas



SENATOR ARTHUR CAPPER

IN discussing the economic effects of the French occupation of the Ruhr—and more particularly on markets and prices here in America—it is difficult to determine the premises. If the Germans should acquiesce—which now seems to be the last thing in their thoughts—the effects of the occupation, though at best highly disturbing, would be very different from those following general passive economic resistance, which seems to be the settled German policy. If this policy should be adhered to, it is bound to result immediately in economic welter in Germany as a whole as well as in the Ruhr. If the Ruhr region continue the economic strike it will suffer ruin itself and all Germany will go down with it. If Germany should cease to function industrially and commercially the disastrous consequences will be world-wide. This will be so not only because of the shock to the business machinery of the world that will follow but because of the disquieting effect on world psychology, which will be dominated by the fear complex. Men will everywhere be apprehensive of the worst, even of new wars that may wipe out what is left of constructive and organizing ability in Europe and close the chapter on the modern age.

I am well aware that some of the closest and best informed observers of the march of portentous events in Europe hold that the Ruhr occupation is a mere symptom of the general malady of the old lands, and that at the most it can but hasten the fulfillment of the written doom which no human power can save. The seizure of the Ruhr, these observers say, is only the first great plunge into the whirlpool of madness that will engulf Europe in the form of new wars and economic chaos from which it will emerge only as a shadow of what it was. If we accept that view, it is futile to discuss the effects of such an incident as the Ruhr occupation on American business conditions; for then it is only a manifestation of the malady of which Europe is dying.

Will Germany Be Ruined?

I prefer to think that the Ruhr occupation instead of being a mere incident of an irresistible tendency is, on the contrary, a causative act of the most momentous nature, which may entail what might otherwise be avoided and may conceivably yet be neutralized; but which will have profound reactions throughout the world while it is in process.

To keep the subject within limitations that can even be sketched in a brief consideration it is necessary to limit our premises pretty closely to the assumption that the present crisis will be terminated before it has gone so far as irretrievably to ruin Germany, and to consider only the effects that are likely to flow from a temporary existence of the present deadlock, which at this moment seems to be shaping itself into one of suspension of all industrial activity in the Ruhr region.

Then, in the first place we must consider the effect on the outside world of the withdrawal of the Ruhr region from the economic map for the time being; next, we must consider the effects on the world of the paralysis of the rest of Germany consequent upon stagnation in the Ruhr.

The population involved is only about a tenth of that of all Germany, but it is a highly industrialized region and produces but little food. Whether it directly imports from abroad much or little in the way of foodstuffs is immaterial; it is one of the main causes of Germany's need to import food at all times. And its products when sent abroad are important, if not the chief means of paying for the foodstuffs of the whole country. So, when the Ruhr shuts down it affects not only its own buying power but that of all Germany. This is true, of course, not only of foodstuffs but of all agricultural products and raw materials; true indeed of all German buying abroad.

What the Ruhr Is

The Ruhr region is the scene of the concentration of the leading industrial interests of Germany—the Stinnes, Krupp, Thyssen, Haniel and Bayer groups, 800 corporations with 20 per cent of the entire German capitalization, 65 per cent of the rolling-mill output, 65 per cent of the ingot steel, 65 per cent of the pig iron and 20 per cent of the iron ore. In 1920, the Ruhr produced 93,000,000 of the 135,000,000 tons of coal mined in all Germany. The Ruhr not only produces coal and coke for its own enormous industries of many kinds but the rest of Germany depends on it for 60 per cent of its coal and 72 per cent of its coke. Incidentally, France itself derives three-fourths of its coke from the Ruhr. Out of an estimated gold-mark capitalization of all German stock companies of 18,000,000,000 gold marks, the capitalization of the Rhenish-Westphalian industries is about $3,500,000,000. These statistics are sufficient to demonstrate the essential if not controlling part played in the German industrial machine by the region that is now in the grip of the French. If it ceases to function, as a means of forcing the French to retire, Germany will soon become an economic void so far as the rest of the world is concerned. There will be little to export and consequently nothing to buy with except such credits as German business and investors may now have abroad.

Moreover, the utilization even of these will be circumscribed by the enormous decline of the mark in foreign exchange and by the unwillingness of the individual owners of these credits to make them available. The natural impulse of every German having credits abroad in such a contingency would be to leave them alone, as the government could give him nothing equivalent to them. The amount of these credits is unknown but they probably do not exceed $2,000,000,000, even after making allowance for the undoubted flight of capital from Germany in recent years—partly to escape levies for reparations payments. They are not sufficient in any event long to sustain an idle Germany, and will certainly be used, as far as may be, with the greatest caution. There is one loophole in this situation, and that is that the credits might be utilized to procure foreign coal to offset the Ruhr deficit, but it is hardly possible that enough coal can thus be obtained to keep Germany going.

"In stating the gravity of the crisis, I wish to make it clear that I have no intention of being censorious of the French. After four years of hope deferred and continual evasions of the penalties of the war by the vanquished, France has undertaken to execute the solemn judgment pronounced at Versailles. In a similar position we may not have waited so long. But, however human, the application of the mailed fist to such a plexus of the world's economic life as the Ruhr may have been, it must be adjudged an act of folly—impractical, inexpedient, and perhaps ruinous to all Europe, France included."

and in any event the Ruhr, on general strike, would be eliminated as a factor in German economy.

In general, then, the conclusion is that the French occupation of the Ruhr, if followed by a general suspension of industry there, as a retaliatory measure, will soon eliminate Germany from international trade relations on any important scale.

Germany as Our Customer

In 1922, Germany bought $372,000,000 worth of goods from the United States and sold us $80,000,000 worth. The disappearance or extensive reduction of German buying in the United States will axiomatically have a tendency to reduce prices in this country. In those commodities of which we have large exportable surpluses the effect, unless offset by other factors, will be much greater than the proportion German purchases bear to our total production—in conformity to the well-known relation between the prices the exportable surplus brings and the prices of domestic requirements.

In 1922, Germany produced only 7,000,000 tons of grain, which is 5,500,000 tons short of requirements. Of this latter amount 3,000,000 tons is still unpurchased. Most of this amount of about 100,000,000 bushels would come from the United States. In the fiscal year 1921 Germany bought from the United States 13,000,000 bushels of corn and 37,000,000 bushels of wheat, and also 1,725,000 barrels of wheat flour, representing about 8,000,000 bushels of wheat. The wheat was about a seventh and the flour about one-ninth of our exports of those commodities. The corn that Germany took was about one-tenth of our total exports. In the first eleven months of the calendar year of 1922 Germany reduced her wheat imports from us to 10,000,000 bushels but ran her corn purchases up to 30,00,000 or about a fifth of the total exports of corn. In view of our enormous surpluses of these grains, it may be expected that the disappearance of such substantial fractions of the export demand will have a very pronounced effect on prices, unless there are compensating factors. One of these may be the bullish effect on speculation of a possibility of a new European war, which in view of the poverty of Europe would probably not have a buoyant effect on the markets for any great period.

Germany takes near a fourth of our surplus cotton, representing in 1922 a total of $111,000,000. The elimination of that item would greatly depress cotton prices, in the absence of countervailing factors.

Another large item of agricultural origin is lard, of which Germany takes about $35,000,000 worth. Of hams and bacon, she takes about $10,000,000 worth.

Altogether it is safe to say that Germany affords a sufficient market for enough of our agricultural products in grains, cotton and its derivatives and animal products to be an important factor in domestic price fixing, and that the demoralization or complete suspension of German buying of those commodities will have effects considerably larger than their ratio to our entire production or surplus would superficially suggest.

Outside of agricultural products the largest single item in our exports to Germany is copper, amounting to $31,000,000, an amount large enough to bear very influentially on prices.

Taking our whole export trade to Germany, amounting to $372,000,000, it represents about one-tenth of our exports, and while its loss, standing by itself, would by no means prostrate American manufacturing industry and agriculture, it would have a decidedly depressing effect on prices in many ways.

On the other hand, the elimination of the $80,000,000 of German imports into the United States would shift some business, especially in specialties and novelties to American manufacturers. Taking Germany's export trade as a whole, much of it is in commodities in which we would not be able to compete with other nations. But the German steel and iron-products business would be divided between England, the United States and Belgium, so far as their surpluses of such goods would permit. Superficially and temporarily then, German industrial suspension should tend to increase our exports in such commodities, with a tendency toward better prices. But it must be remembered that owing to the general upset of international trade which would follow a hiatus in Germany the demand for goods would decline throughout the world.

Effect on Our Foreign Trade

Under the conditions we are predicating, namely, the disappearance of Germany as an important economic part of the world whole, there will be additional losses in our foreign markets, due to the decreased purchasing power of other nations that are dependent for their prosperity on their trade with Germany—without going so far as to infer a general economic collapse throughout Europe; which is a distinct possibility of the causes set in operation by the Ruhr occupation and the German reaction thereto. The franc may join the mark in exchange worthlessness, the pound sterling may follow the franc; and France, Belgium and England may pursue the downward course upon which Germany is already far advanced.

In stating the gravity of the crisis, rooted in the reparations impasse and culminating in the occupation of the Ruhr, I wish to make it clear that I have no intention of being censorious of the French. After four years of hope deferred and continual evasions of the penalties of the war by the vanquished, France has undertaken to execute the solemn judgment pronounced at Versailles. In a similar position we might not have waited so long. But, however human, and in the light of France's internal affairs however unavoidable, the application of the mailed fist to such a plexus of the world's economic life as the Ruhr may have been, it must be adjudged an act of folly—impractical, inexpedient and perhaps ruinous to all Europe, France included.

But if it were folly for France to send her troops into the Ruhr, is it not utter folly for us to talk about keeping out of entanglement in these international economic questions? Why blink the fact that we are in them up to the neck and that their solution is of vastly more importance than anything we can do by means of purely domestic legislation? How can we justify before the court of history or to posterity listless inaction while the very foundations of our commercial and industrial life are disintegrating in the dissolution of Europe? The great question before us is whether we shall energetically try to save Europe from a final smash and ourselves from the immeasurable consequences of such a disaster or whether we shall go on playing with the toy of

(*Please turn to page* 665)

There is a closer relationship than a great many people are conscious of between such shipments as the above and developments abroad such as the occupation of the Ruhr

Remedies That Would Wreck the Railroads

An Answer to Some Charges Made Against the Railroads

By IVY LEE

AN article entitled "The Way Out Of The Railroad Muddle" appeared in THE MAGAZINE OF WALL STREET in the issue of December 23rd. The article is a report by Theodore M. Knappen of Mr. William Jett Lauck's suggestions for the solution of the railroad problem. Any article which offers a solution of the railroad problem is deserving of serious study. After giving that to Mr. Lauck's recommendations, of which incidentally there are very few, as most of the article is in the nature of charges and accusations against the railroads, many questions occur as to the facts upon which he bases his conclusions.

For instance, early in his article, Mr. Lauck charges that "the banking group," meaning "Wall Street," are responsible for the existence of the railroad problem today. He says:

"The existing situation has been due primarily to the misguided and short-sighted policy of the banking groups in New York who ultimately control railroad managements and policies."

The directors of railroads are elected by railroad stockholders of whom there are more than 725,000. Certainly, railroad stockholders are at liberty to elect whomsoever they please, provided the Interstate Commerce Commission approves their eligibility. The Commission has withheld the stamp of its approval many times within the last two years because, in their opinion, the election of certain men would be contrary to the public interest and would result in interlocking directorates.

Mr. Ivy Lee is widely known as one of the keenest students of railroad conditions in America. In this article he discusses certain charges made against railroad management by Mr. W. Jett Lauck whose article on the subject recently appeared in THE MAGAZINE OF WALL STREET. In accordance with our usual policy, we present Mr. Lee's views in a spirit of fairness to both sides of a much-discussed question.

Banker and Railroad

The fact is that there is not one scintilla of evidence to the effect that banking influence in railroad affairs today is exerted for other than constructive advance of the properties. Bankers are, indeed, interested in promoting the solvency of railroad properties. Have they not invited investors to put their money into those properties? But bankers cannot control the charges which the railroads make (for they are under control of the Interstate Commerce Commission); bankers cannot control the wages which railroads pay (for those wages are fixed by the Railroad Labor Board); bankers cannot control the taxes which railroads pay (for they are fixed by numerous governmental authorities). If bankers had any real power over railroad management, is it reasonable to believe that the average earnings of the past two years on the railroad property of the United States would amount to no more than 3½ per cent, as has actually been the case?

Furthermore, the issuance of securities, which is the main matter in which the bankers are interested, is now under the complete control of the Interstate Commerce Commission and various state commissions. The fact is that the continued suggestion of banking control of the railroads is nothing but the repetition of an old phrase, justified to some extent in the past, but today robbed wholly of all but its possibilities of political mud-slinging.

Mr. Lauck then says:

"They (meaning the banking groups) have never sincerely accepted the Transportation Act of 1920."

If that be true how does Mr. Lauck account for the fact that since the Transportation Act was passed the accepted policy of the Association of Railway Executives, which speaks for practically all the railroads of the United States, has been to discourage any attempts to amend the transportation Act?

The fact is that the Transportation Act establishes a sound rule of rate making and if that rule of rate making is really applied the railroad situation can be placed upon a proper basis. That rule of rate making of course is not a guarantee of earnings and the difficulty is that the rule sometimes cannot be applied. But the rule is sound.

The fact is that bankers and executives want the Act to have a fair trial.

Some Further Charges

A little further along in the article, Mr. Lauck makes the following charges:

"When the railroads were returned to private control under the conditions of the Transportation Act, the general policy adopted by the bankers who control the railroads was to rehabilitate them financially by a three-fold program: first, to secure all possible funds through claims against the federal government; second, to reduce wages of employees, to disrupt labor organizations which had grown up during the war, and to eliminate costly working conditions which had been secured by these labor unions; and third, to maintain the highest possible freight and passenger rates."

Taking these charges up in order: What was improper or sinister in the railroads trying to get from the government sums of money which the government owed them?

As regards wages, the decisions of the Labor Board have shown that the wage scales which they authorized were higher than for comparable work in other industries and represented more than the increase in cost of living. The government, through the rate-making authority of the Interstate Commerce Commission, controls practically all the revenues of the roads, and, through the Labor Board, controls more than 50% of their expenses. If shippers and farmers go before the Interstate Commerce Commission for rate-reductions, is it less than proper that the roads should ask the Labor Board for wage reductions? Certainly, the farmers and others who are objecting to existing freight rates realize that unless the railroads are to fail to respond to public requirements for service, a reduction in rates must be accompanied by a reduction in expenses, of which wages constitute the greater part.

As for the charge that the roads have maintained the highest possible freight rates, is it not a fact that it is the Interstate Commerce Commission and not the bankers who fix freight and passenger rates? And has not the Commission done so in every instance only after the most exhaustive investigations at which all parties interested have been fully represented?

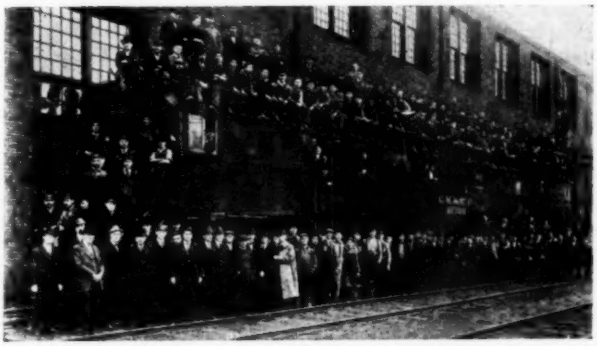
It is interesting to note that Mr. Lauck agrees with railroad managements generally, when he says "that the basic principles of the Transportation Act are sound and deserve a fair trial before more extreme measures are adopted." But he finds that this is not the attitude of the

(Please turn to page 663)

High Spots of the Electrical Industry

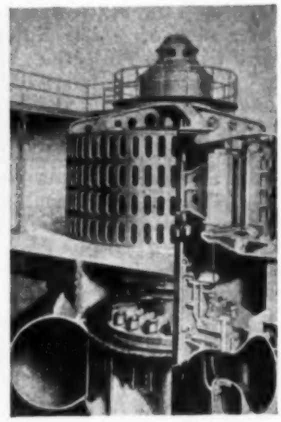
A few of the more important products, illustrating wide development of electricity for industrial use.

ELECTRIC FERRY
Consuming less than ½-lb. fuel oil per h.p. hour



LARGEST ELECTRIC LOCOMOTIVE
in the world. Develops 4,300 h.p. In use on St. Paul System

SOURCE OF SUBWAY POWER
Interboro R. T. Station at 74th St., New York City



HYDRO-ELECTRIC
Sectional view of 60,000 h.p. unit (Niagara Falls), a Westinghouse product

GENERAL ELECTRIC BUILDING
Inside "No. 16" at the Schenectady works

ELECTRICALLY DRIVEN!
The U. S. Battleship Tennesseé, propelled by electricity

INSIDE A BROADCASTING STATION
Sending apparatus at the broadcasting station erected especially for the Centennial Exposition at Brazil. The instruments seen compose one complete unit

Raising the Curtain on the Future

How Three National Figures View the Outlook

A Symposium by Theodore M. Knappen

WHAT *is the economic content of the future?*

This is a question that is being more anxiously asked and variously answered now than at any time since the beginning of the World War. Men are concerned not only about the first years of the future but also about the general trend for the next 25 years. Despite all the oracles of business most business men are agnostics as to what is behind the curtain, feeling that we have come, perhaps, to a time when what has been no longer foretells what is to be. It is a time when the average man puts more store on opinion than on charts and profound deductions from history and statistics. Realizing the demand for matured opinion on this subject, THE MAGAZINE OF WALL STREET propounded nine questions to three men of widely different environments, experience and outlook, but with national sympathies and interests.

One is an economist of national reputation, Dr. Wilson Compton, who, following academic and governmental associations, has had as the manager of the National Lumber Manufacturers' Association, an opportunity to test economic theory by intimate experience with the practical processes of one of the great basic industries.

Another is a great banker, Milton Ailes, president of the Riggs National Bank of Washington, one time assistant secretary of the treasury, a director of various transportation companies, etc.

The third, James R. Howard, retiring president of the American Farm Bureau Federation, stands for the great business in America, that of farming, and is one of the outstanding organizers of the day, having in four years built up the tremendous machine of the American Farm Bureau Federation, which has had profound economic and legislative effects throughout the country. During these years Mr. Howard has been in close touch with the leaders, and has been a careful student of the trends of American industry, finance and commerce. He has consistently held the view that nowadays the economics of agriculture is far more concerned with the commercial than with the productive phase, and that success in merchandizing and swinging into line with the processes and methods of big business is the need of the farming industry.

Below are the questions that were propounded to these three leaders in economic thought and action, each question being followed by the verbatim replies made by the three authorities consulted.

Question 1—Do you consider that the present recovery in business simply marks a reaction from the depression of 1920-1921; or that it is a prelude of a fully sustained boom to continue for a considerable period to come?

MR. HOWARD: The present recovery is not a reaction from the depression of 1920-21 but marks the beginning of a new period of improved business. **It will not, however, be a fully sustained movement but will be erratic and marked by spasmodic recessions.**

The shortage of labor will be a continual source of trouble. This factor appears now in a different form from that of any previous period. It is not only that immigration has been restricted by law, but that the demand for skilled or at least for a class of labor much higher than what we used to call unskilled has become so great as to reduce the volume of unskilled labor to the lowest terms of inherent capacity. That is, we have come to a time when no man needs remain in unskilled occupations if his ability suits him for a higher grade. The result will be a great bidding up of the wages of the simple manual workers in an effort to draw them back from the skilled or semi-skilled callings.

"I think we have entered upon an era of good times which will continue for a considerable period."

MILTON AILES
President of the famous Riggs National Bank

MR. COMPTON: I believe the present general business recovery to have been in part a rebound from an over-exaggerated depression. There was no fundamental general economic condition which inevitably and irresistibly could have plunged the business community into a depression as drastic and severe as that of 1920 and 1921. I believe the extent of deflation was excessive and a prompt rebound in part, therefore, to have been expected.

Many lines of business are, I think, now on a fundamentally sound basis and in them a reasonably stable business is to be expected. **I see no grounds for prediction of a sustained boom in business generally.** Present activity may last into 1924 but further readjustment in some activities is inevitable.

MR. AILES: I think we have entered upon an era of good times which will continue for a considerable period.

Question 2—What do you consider are the deterrents to general prosperity?

MR. HOWARD: Increased spread between producers' prices and costs to consumers; high labor schedules in production, transportation and distribution and excessive taxation—all tending to put consumers' prices out of line with income and the original costs of raw materials and agricultural products. Also lack of confidence on the part of manufacturers which keeps them from building up surpluses or reserves of goods; this is largely to be attributed to fear of ultimate effects on the United States of the disturbed and highly uncertain economic and political conditions abroad.

MR. COMPTON: Among the most important deterrents to resumption of general prosperity, I should consider the irregularity and unevenness of the readjustment which has taken place since 1920. The nation's purchasing power is to such an extent dependent upon prosperous and reasonably profitable agriculture that the general absence of agricultural prosperity during the last two years has considerably deterred the return of business generally to a permanently stable condition.

Generally speaking, there is a large excess of producing capacity in this country installed during war time. Domestic demand is inadequate to absorb that producing capacity. Potential foreign demand exists in great volume. But foreign buying power is deficient. Political turmoil and consequent lack of monetary stabilization particularly in Europe has demoralized many of the foreign markets ordinarily open to American goods.

Too much of the world's gold reserves held in the United States is deferring the monetary stabilization particularly in Eu-

DR. WILSON COMPTON

Managing the National Lumber Manufacturers who finds the recent recovery less evenly distributed than might be desired

ropean countries on the gold basis, which is in practice necessary to the resumption of approximately normal foreign trading relations.

The position of these gold reserves furthermore encourages a disposition in this country to create newer, easier and cheaper financing of various enterprises. Some of this is in part publicly subsidized. The inevitable consequence, in the financing or administration of business, of substituting the political for the economic motive is to give the superficial appearance of soundness and stability to economic conditions lacking in fundamental soundness and thus postponing the completion of business readjustment necessary to sustained and general prosperity.

Mr. Ailes: Labor troubles and the unsettled international situation.

Question 3—Do you believe that costs of manufacture generally will increase or decrease, or do you believe that they will be stabilized at along present levels?

Mr. Howard: I believe that costs of manufacture generally will be stabilized in a spotty way at about present levels.

Mr. Compton: I look for a general decline, interrupted and irregular, in manufacturing costs, during the next 10 or 15 and possibly 20 years, with the decline in wages proportionately less than the reduction in other costs. The extent to which labor costs keep pace with the decline in other costs is obviously dependent in considerable part upon the immigration laws. These in turn have become subject to the political motive and to that extent are frequently not responsive to economic needs.

Mr. Ailes: I think the tendency will be toward stabilization in the period immediately ahead of this country.

Question 4—Do you look for a general advance in commodity prices during the coming year?

Mr. Howard: Yes.

Mr. Compton: No.

Mr. Ailes: I think the tendency is upward; that there will be an advance, but not a greatly marked one. I predicate this on the expectation that better prices will be obtained for farm products, our grains and cotton being basic.

Question 5—Is the purchasing power of the average consumer, principally the farmer, likely to be increased within a reasonable period?

Mr. Howard: The purchasing power of the farmer, which will bring up the average, is likely to be increased in the near future because the outlook is for better prices for farm products, which will tend to reduce the present trade-repressing spread between the value of the farmers' dollar and that of the ultimate consumer of farm products.

Mr. Compton: I believe the purchasing power of the average consumer is in for a more or less steady, gradual and interrupted increase for the next 10 or 15 years. But I doubt that it will increase much, if any, during the next two years.

Mr. Ailes: I think the purchasing power of the farmer will be increased within a reasonable period.

Question 6—Do you believe we should export gold abroad in order to strengthen the foreign financial situation, or do you believe that we should conserve our gold resources?

Mr. Howard: It is my opinion that we should have recourse to every rational method of exporting gold.

Mr. Compton: I do not believe that the monetary and financial stabilization of foreign countries, particularly European, will be accomplished on a gold basis unless we release some of our present gold reserves.

Mr. Ailes: I do not believe in any forced exportation of gold. It should flow back and forth between countries in response to economic law. We have no need now to conserve our gold resources. It would help us some if the supply were diminished through perfectly natural and normal trade inducement.

Question 7—What, in your opinion, will be the effect of the tariff on domestic business?

Mr. Howard: In the long run the effect of the new high tariff on domestic business will not be favorable; its ultimate effect will be to restrict our exports because it will have the effect of narrowing our markets for foreign products. Prosperity in this country depends chiefly on agricultural prosperity which, owing to its exportable surpluses in certain great staples, depends in turn for its prosperity on volume of foreign demand.

Mr. Compton: On the whole I believe the tariff will have the effect of increasing domestic business. It may well, however, in many lines have the effect at least temporarily of reducing prices in domestic trade, due to excessive capacity in many lines, the need for foreign outlets and the inability to market surpluses abroad until potential foreign buyers can export commodities to the United States and thus create a buying power which today is measurably lacking.

Mr. Ailes: The effect of the tariff will be to stimulate domestic business.

Question 8—Do you believe that the present tendency toward keen competition in industry will continue for an indefinitely long period?

Mr. Howard: Owing to the fact that we are to have so many varying factors in business for the next few years and perhaps for a long time, the price of business success will be the competitive ability of business men and competition will be much more marked than it has been since 1913.

Mr. Compton: I believe that present tendency toward keen competition will continue for a long period. Competition nearly always has been keener in prolonged periods of generally falling prices. The increasing value of inventories during the period from 1896-1920 has saved many a business. For many years there will be a premium on efficiency and prevention and avoidance of waste in industry, the like of which has not been witnessed in American business in many years. Economy in cost and superiority in developing demand will probably be more important than they have been at any time during the past 25 years.

Mr. Ailes: I think the tendency toward

(*Please turn to page* 653)

JAMES R. HOWARD

An outstanding exponent of our agricultural industry, who calls the labor shortage one of the chief obstacles to prosperity

¶ *The type who, twenty years ago, was affectionately called the "lamb" and whose woolly fleece certain Wall Streeters of a previous generation could count on shearing once each year—*

¶ *The composite individual old Mr. John H. Skinnem and Mr. Wilbur K. Cheatem used to gleefully chuckle over—*

¶ *The one Mr. P. T. Barnum claimed reproduced himself at the rate of sixty an hour, or "one every minute"—*

¶ *This once easy mark has developed from Pupil to Master, from School Dunce to School Teacher!*

Lambs Yesterday but "Mister Investor" Today!

What Time and Experience Has Done for the Average Security Holder

By PERRY A. EMERSON

". . . And put a stop on it three points under the market!"

". . . No—I guess I'll let the boys in the know play with *that* stock. What I'm after is an investment security, not a wild speculation!"

". . . Look here. If you were the sort of broker for me to entrust my account with, you wouldn't be urging me to buy on a three-point margin. In fact, you wouldn't *let* me buy on such a margin. Now, if you'll just give me a check for my balance—!"

Who's talking? Who is this astute, shrewd, well-informed individual, who is safeguarding his own interests in this highly technical manner?

A Surprise

You'll be surprised when I tell you: It's none other than Mr. Average Investor, of Today. The very same! The type who, twenty years ago, was affectionately called the "lamb," and whose woolly fleece certain Wall Streeters of another generation could count on shearing once each year—the composite individual old Mr. John H. Skinnem and Mr. Wilbur K. Cheatem used to gleefully chuckle over—the one Mr. P. T. Barnum claimed reproduced himself at the rate of sixty an hour, or "one every minute."

This once easy mark, whose gullibility could be counted upon with as much certainty as we count now upon the tides of the sea—he has developed from Pupil to Master, from school dunce to school teacher. Perhaps he's not the boss, all the time, just yet. Perhaps professionals can influence values, partially, irrespective of Mr. Average Investor's wishes and desires. But, in times of any stress, he is certainly the boss, of today; and over the long run, he has become the one who controls security movements.

Brokers have noticed this development of Mr. Average Investor. And all of them who *are* brokers, and not imitation affairs, are mighty glad of it. Instead of having to build up new customer lists—an entirely new clientele, practically—once each year, all due to the old-time foolhardiness, ignorance and imbecility of the old-fashioned public, they find their lists holding up—beginning to reflect a degree of stability which, in the light of previous experience, is positively amazing!

They Are Using Stop-Orders!

"Do you know," said a stock-market veteran to the writer a few days ago, "that sixty per cent of the stocks bought on margin nowadays is limited as to loss by stop-loss orders? Imagine it! The public using old Jim Keene's methods! Why, Keene would turn in his grave if he could know of it!"

Hard to tell, of course, how much truth there is in that estimate. At first blush, it sounds pretty high. But, when you stop to think of it—when you realize what a simple, logical form of loss insurance the stop-loss order is, and when you realize how much publicity THE MAGAZINE OF WALL STREET (for example) has given the use of stop-loss orders, it would be more surprising if the public had not developed its use. (By the way: Don't accuse me of unfairly boosting my own office in that reference to The Magazine's missionary work, *re* stop-loss orders. It's merely a matter of record that Mr. Richard D. Wyckoff was the first to initiate the public into the "mysteries" of this form of insurance, and I'm simply giving the credit where credit is due.)

For the benefit of any casual reader who may have stumbled over these remarks about the "stop loss" and would appreciate an explanation, let me say: A "stop-loss order" is an order to your broker to sell a security which you hold if, and as soon as, said security declines to a certain point below the price at which you bought it. Thus, if you purchased 100 shares of Steel at 107; and you did not wish, in the event of the trade going against you, to lose more than 3 points on the transaction, you would enter a "stop" at 104; and then, if, and as soon as, Steel sold at 104, your 100 shares would be liquidated automatically. "Stops" are also used extensively to protect a profit. Thus, if your Steel, bought at 107, advances to 111, and you wish to be sure of reaping at least 3 points profit, you would enter your "stop" at 110.

As to the difference between a speculation and an investment—between speculating and investing—Mr. Average Investor has also progressed far. A while ago, this publication's Inquiry Department inaugurated the custom of stamping in red letters on the top of every Inquiry Letter the injunction:

"Securities classed by us as speculative are not recommended for purchase by small investors."

There was every reason for this injunction, when it was inaugurated. The proverbial widow with a few hundred dollars, all that stood between herself and poverty, was still inclined to commit her fortunes to wild oil stocks, highly volatile motor stocks, weak railroad stocks—in fact, anything that had the glamorous allure of speculation attached to it. The youngster just out of college, with his Dad's "starting-out" gift of two or three hundred—he couldn't seem to get down to Wall Street and stake it on Mexican Oil Exploration, or something of the sort, quick enough. Everybody was speculating, who ought to be investing; and no large numbers of people were doing it *with their eyes open.*

There are thousands, to be sure, who still belong to the old school—thousands who are still dealing in rank wildcats in the belief that they are handling their funds wisely and conservatively. But not hundreds of thousands, as used to be the case.

Mr. Average Investor has learned that corporation securities are, body and soul, the same as the corporations they represent; that, just as the oil-producing business is hazardous in the extreme, so securities in oil-producing companies are hazardous. And so on, through the list.

To be sure, this development still has a long, long way to go: It was only last week that the writer saw a letter from a mechanic— a man who earned some thirty-eight dollars per week—in which said mechanic admitted that he had put his entire savings into a rankly specula-

tive issue—one subject to the thousand and one whims of fate and fortune—and lost the whole fund. Still more recently, I saw a letter from a minister, in which the worthy man intimated that he found it rather difficult to carry on market operations because he was confused by such financial terms as "selling short" and "selling long." In other words, there is still a vast need for educational work with a punch—work that will *teach the people* who would benefit from it—answering the question, "What Is the Difference Between Speculating and Investing?"

But there isn't as much need for this work as there once was. Mr. Average Investor is learning—fast.

As for Dishonest Brokers

As for the type of "broker" who used to batten on the average public by the simple means of "riding 'em to ruin"—that is, encouraging them to take on ever greater financial risks on a constantly thinning margin, and thus practically assuring their ultimate doom—well, his field isn't as big as it was. Ever since the colossal revulsion which resulted in the great Bucket Shop smash of 1921-22, Mr. Average Investor has tended toward selecting his financial amanuensis with care and discretion. Mr. Investor has learned a few things about the tricks the dishonest broker uses—his subterfuges and wiles. He knows that, to only one type of broker can any purpose be served by forcing a client to the wall: He wants to be able to pocket the client's money, which, of course, he has not utilized in the actual purchase of stock. And so, when one of these gentry begins his now familiar song, Mr. Average Investor is sufficiently on the alert to tell him, as the saying goes, where to get off.

Don't let what has been said thus far, however, give the impression that the Average Investor knows it all today, and is beyond being trapped. Because that is not true. There are still a good many things he doesn't know, and which he will have to learn before he can become entirely shock-proof.

Introducing—

John D. Ryan—The Copper Man

Builder of Anaconda and Directing Genius of the Copper Industry, He is One of the Outstanding Industrial Figures

By W. SHERIDAN KANE

JOHN D. RYAN, who has just taken charge of the copper industry, never put in a day mining in his life, notwithstanding the fact that his father discovered the Copper Range mines in the Lake Superior district and John D. was reared in a home on the Calumet & Hecla property.

Until he was 25 Mr. Ryan was a clerk in a grocery store and because his uncle owned the store he had an easy time of it, being required to work only from twelve to sixteen hours a day. Having reached the quarter-century mark, he entered the oil business, having a hunch that some day "John D. R." would dominate the oil industry. The hunch was right, but Fate decided to spell the last name Rockefeller instead of Ryan.

Up to the time he was 30 years of age, Mr. Ryan never made more than $150 a month, although he was a hustling oil salesman. Marcus Daly, a friend of Mr. Ryan's father, was then building up the Anaconda Copper Mining Company organization in Montana. Ryan travelled out of Denver covering the Rocky Mountain states. Mr. Daly offered Ryan a job, but at that time Ryan couldn't see the mining business.

Several years later, however, Mr. Ryan married and got a new angle on the necessity for digging and he revised his views accordingly. Marcus Daly died about this time and Ryan conceived the idea of getting an interest in Daly's organizations. That is why Montana woke up one morning to find John D. Ryan at the head of the Daly chain of banks and of all the other Daly operations.

Within three years Henry H. Rogers, John D. Rockefeller's partner, asked Mr. Ryan to take charge of the Amalgamated Copper Company's affairs. This association of the two John D. R's was the beginning of Ryan's progress toward a dominating position in the copper industry. He first drove Fritz Augustus Heinze out of politics in Montana and then in 1906 bought all of the Heinze mining properties in Butte. When Rogers died in 1908, Mr. Ryan succeeded him as President of the Amalgamated. John D. Ryan's genius appears to be the welding together of various properties so as to increase their efficiency and profits. From the time he began by adding the Heinze properties to the Amalgamated he has spent much of his time shopping around and occasionally picks up something that appears worthwhile. Having taken in everything in Butte and in Anaconda that could economically be operated together, he merged them all into the Anaconda Copper Mining Company and dissolved the Amalgamated.

While this merger was in its final stages he took an interest in Inspiration, which is today the world's third largest producer of copper. He also developed the Montana Power Company, electrified the Butte, Anaconda & Pacific Railroad and used it as an object lesson to induce the St. Paul to electrify 440 miles of its lines in the Rocky Mountain region, Montana Power of course, supplying the power. Practically every mine in Montana gets its power from the Montana Power Company and most of the cities and homes of the state are lighted by it.

A few weeks ago, he brought to fruition his plan for acquiring sufficient foothold in South America to feel warranted in proceeding with the development of the properties Anaconda already held on that continent. For the Anaconda he acquired the Chile Copper Company, taking it over from the Guggenheims who developed it from a prospect.

Mr. Ryan has a simple rule of life. He first makes up his mind whether a thing is worth going after. If it is, he goes after it and gets it.

JOHN D. RYAN
He Never Put in a Day Mining in His Life—But He is the Dominant Figure in Copper Today

Mr. Ryan, by the way, like Mr. Willard of the Baltimore & Ohio Railroad, whose advancement in life was discussed in a preceding sketch, is one of those whom the radicals have in mind when they damn New York and Wall Street and the capitalists. But, after studying Ryan, one is forced to the conclusion that he nothing more than a Michigan small town young man who worked in a grocery for a while, sold oil on the road, and then as a result of his ability to see ahead, knew how to make two jobs grow for his fellows where only one existed before, thereby creating a supervising job for himself. He didn't get along by waiting for someone to come along and give him a job, carrying out some other fellow's ideas.

Foreign Trade and Securities

Does France Menace Our Steel Industry?

A Little-Discussed Phase of the European Industrial Situation—The New Trend in French Economic Life

By MAX GOLDSTEIN

IF one considers the French occupation of the Ruhr, not from the point of view of reparations, as is usually done, but from that of the development of the French iron and steel industry, investigation along this line opens up vistas of the greatest importance for American industry. So far as reparations are concerned, many impartial observers are agreed that the new Ruhr policy can do little: German mines and factories will not be run more efficiently under French army officers than under German owners, and France could not afford to have them run any too well, for every ton of steel sold abroad by German steelmakers is a ton of steel lost to the French export trade.

To understand what the future holds in store for the French steel and iron industry, let us take a general view of the development of the metallurgical trades in France up to and since the war. We find that industry has been gradually gaining on agriculture in France, that the iron and steel trades have been growing rapidly, and that even before the war the question of how to dispose of the exportable surplus, the great problem for all highly-developed industries (including the American) has come up in France, though not with the same acuteness as in Great Britain and Germany.

The turning point was the development from 1886-1900 of the Thomas-Gilchrist process for making "basic" Bessemer steel, which allowed of the utilization of ores containing low percentages of iron and relatively high percentages of phosphorus. Up to that time England had held the undisputed steel mastery of Europe, with America looming up on the horizon. England had the type of ores suited to the older Bessemer process for making so called "acid" steel, and was even importing additional high-grade ores from Sweden and Spain. The new process enabled France and Germany to compete, although the product was at first considered unreliable — Lloyd's, for instance, would refuse to insure ships made of "basic" steel.

ORE RESERVES OF EUROPEAN NATIONS, 1922

	Tons	% of Total European
France	4,369,000,000	35.2
Great Britain	2,254,000,000	18.2
Sweden	1,548,000,000	12.5
Germany	1,374,000,000	11.1
Russia (dev'ped)	1,032,000,000	8.3
Spain	610,000,000	5.0

Improvements in the process finally brought the French industry to a point of expansion where it was producing 5.2 million tons of cast iron a year and 4.6 million tons of steel in 1913, had practically all the iron ore it wanted and was short only of metallurgical coke, of which it imported 3 millions, mostly from Germany, compared with a home production of 4 millions. Its iron exports were insignificant, but it has brought steel exports up to about 480,000 tons yearly, and was steadily increasing this amount.

Internal Consolidation

During this same period the internal consolidation of the industry was going on at a great pace. While it had no huge organizations of the type of the U. S. Steel Corporation, the industry as a whole was even better centralized than the American because of the existence of a number of trusts called "comptoirs," of which the Comptoir des Forges et Acieries was the best example, uniting for trade purposes a number of concerns producing similar products, such as cast iron, steel plates, rails, etc. These "comptoirs" functioned in exactly the way forbidden to American producers by the Sherman anti-trust law—they controlled production, prices, distribution, division of domestic and export territory, etc. By 1914 practically every French steel company was enrolled in one or more of these "comptoirs," working on a unified home and foreign policy. This was one of expansion, increase of the export trade, and, curious as this may sound, cooperation with the

The steel works at Essen, Germany, at which France has cast envious eyes

German producers on whom they were largely dependent for coke and with whom they could cooperate to control the export trade.

In Germany the steel industry had developed along similar lines, if somewhat more rapidly. As a result of the Frankfort treaty of 1871, however, the German industry had obtained free access to the rich iron ore deposits of Alsace-Lorraine, which produced more ore than coal. This fitted in perfectly with the needs of the Ruhr valley, which had coal mines and factories for working up iron and steel half products, but did not have sufficient ore.

The German steel industry was, therefore, organized fundamentally on the following basis: Ore from Lorraine was made into iron and steel with coal from the Ruhr, and the iron and steel ingots, billets, blooms, skelp, etc., thus obtained were sent back to the great industrial plants of the Ruhr at Essen, Solingen, Dortmund, etc., to be made up into finished steel goods for the German export trade. Internally the industry was built up through the organization of "Kartelle" functioning very much like the French "comptoirs," with perhaps a higher degree of centralized administrative control. The picture of the pre-war steel industry of Germany works out as follows: slight surplus of coal and coke, shortage of ore made up from (present) French fields, a huge export trade in iron and steel, amounting for 1913 to 5.7 millions, larger than any other country in the world.

England during this same period was changing over gradually from "acid" to "basic" steel production, a change which is still progressing. From 100% of the total output in 1886 the proportion of "acid" steel had sunk to 63% at the outbreak of the war and at the present time is roughly 50%. The great initial development of the British steel industry before its Continental competitors and the development of a splendid export technique enabled it to export over 5,000,000 tons of iron and steel products in 1913, not far behind Germany's showing.

In the United States the enormous development of our steel industry was coupled with such a development of the home trade that the problem of steel exports was not so serious as on the Continent. To such a degree was this true that the export trade was looked upon not so much as a necessity for the maintenance and development of large-scale industry as a mere balance-wheel to even out the fluctuations in the consuming capacity of the home market dependent on the fluctuations of our internal prosperity. As a result, before the war our exports amounted to 2.7 millions of tons, less than 10% of our total production, a smaller percentage than in the case of any of the large European powers.

Effect on World's Steel Industry

The effects of the war on the world's steel industry may be summarized broadly as follows: In all countries, a considerable increase in the producing capacity of the national steel equipment, less in the case of Germany and Great Britain than

IRON AND STEEL

	Exports in 1913
Germany	5,664,000
Great Britain	5,000,000
United States	2,745,000
Belgium	1,543,000
France	573,000

with the others because of their highly-developed export trade, which was practically all diverted to war-time uses. The effects on specific countries were, in addition:

France Loss of considerable steel-making capacity in the devastated regions and Lorraine, partly counterbalanced by the acquisition of new territories and by reconstruction efforts. This will be made the subject of more detailed study further on, but for the time being it can be said that France acquired much additional steel capacity, huge additions in ore reserves and ore producing capacity, but relatively little coal. There has also been a considerable disintegration of the old "comptoirs."

Germany Loss of Lorraine ore and steel capacity and Saar coal, dropping out of Luxemburg from the German customs union and later its absorption into the Belgian customs area. This left Germany with a theoretical excess of coal over its ore requirements, contrasted with a theoretical surplus of ore over coal resources in the case of France. This, as we shall see later, is a development of fundamental importance for the steel industry of Europe and of the world at large. At the same time, the artificial unity of the German steel industry was broken up, as in the case of France, and under the stress of new competitive conditions a new form of industrial integration was developed, the "vertical" as distinguished from the horizontal trust.

This development was only relatively new, as signs of it had been observed even before and during the war. The difference may be illustrated in the case of one particular line—steel plates, for example. In a horizontal trust, all the makers of this particular product would be united into a "comptoir" or "Kartell" of steel plate manufacturers, dictating prices, delivery terms, credits, etc. A vertical trust, however, would go both backwards and forward in the process of production—backwards to the rolling mills that make the plates out of ingots, to the converters that make ingots out of pig iron, to blast furnaces that make pig iron out of ore, and possibly as far back as the mines of iron ore and coal that are the original source of the raw materials. It would also go forward in the production process to the acquisition of plants that make shapes out of the plates, structural steel out of the shapes and plates, and possibly shipyards that make ships out of the structural steel materials.

In this way combines have grown up, of which the Stinnes group is the one that appeals most to the popular imagination, representing all the different steps in the production of a number of products, instead of trying to represent all the producers of a given step. This type of combination, better suited to the economical and intensive exploitation of limited resources than to the extensive exploitation of expanding resources, is better suited to the new needs of Germany as conditioned by the war and the treaty, and has hence steadily grown in power and influence.

England An expanded steel industry, increasing production costs due to increasing labor demands and more particularly coal prices, while the competitive advantages of a depreciated exchange have been favoring France and Belgium, but more particularly Germany. The re-

(*Please turn to page 644*)

German Marks Sink Into Abyss

The Dollar Now Buys 30,000 Marks

AS a result of the occupation of the Ruhr by the French, the German financial position has approached utter demoralization, and the mark—the outer symbol of German finances—has sunk to a level not far from the Austrian crown. Herewith is given a table showing the exact value of German marks in terms of the United States dollar:

Value of Dollar in German Marks:

Pre-war (par, 23.8 cents)		4⅕	marks
Close of War, Nov. 1918		12½	"
1920, average		50	"
1921,	"	125	"
1922, Jan.	avg.	200	"
Feb.	"	205	"
March	"	270	"
April	"	280	"
May	"	305	"
June	"	330	"
July	"	500	"
August	"	900	"
Sept.	"	1,400	marks
Oct.	"	2,500	"
Nov.	"	6,600	"
Dec.	"	10,000	"
1923, Jan.	"	30,000	"

Thus, the German mark which was once worth 4⅕ to the dollar, has by this time sunk so low that it takes 22,500 marks to buy a dollar. It is apparent from this record alone that German finances are in a hopeless position.

There is, of course, no theoretical limit to which the mark cannot sink. Rubles, for example, have sunk to a point where it takes over 3 million of them to buy a dollar. Investors, therefore, who believe that because the mark is obtainable at unprecedentedly low quotations, it now represents a fair speculative proposition, should consider the fate of the ruble. That the mark will head the same way is not at all unlikely, under present conditions.

Bonds

Real Estate Securities as Investments

—Part Two—

Factors That Determine the Value of Real Estate Mortgages and Bonds

By WILLIAM P. KENT

WHEN we enter the field of first mortgage real estate bonds we encounter a class of securities on which it is impossible to generalize. We cannot say that all real estate bonds are either good or bad; we can only say that both good and bad are represented in current and past underwritings of such securities. Unfortunately, since there is so little real standardization in this class of securities, it is much more difficult to classify real estate bonds and to lay down rules and regulations by which the investor may distinguish the sound from the unsound.

First, let us state that there are a few houses specializing in these securities in which the investor may have full confidence and which deal in bonds of the highest degree of soundness. On the other hand, however, floods of flimsily-secured realty bonds are being sold to innocent investors. Within the last two or three years, and especially during 1921 and 1922, a good many scores of small concerns have entered the field, grinding out real estate bonds in the same manner that German presses grind out marks, and with about as much regard for the safety of their issues and the protection of the bondholders as would be observed by the average ten-cent oil stock promoter.

A few real estate bond houses of long experience, proven integrity and honorable record, leaders in this line, have built up volumes of business reaching into very large amounts, with wide-spread clienteles. Their success naturally has caused them to be widely imitated. In Chicago, for example, it is estimated that more than fifty new real estate bond dealers have sprung up within the last few years. Probably the greater number of these had been real estate brokers, a few of them with dubious records; others include small neighborhood banks which have started "bond departments" of their own, underwriting bond issues on neighboring apartment buildings even in districts over-saturated with apartments, showing hundreds and even thousands of empty "flats."

Mushroom Growth of Real Estate Bond Business

Almost all over the country the same spectacle is afforded of weakly-financed and inexperienced investment companies putting out issue after issue of real estate bonds secured by apartment buildings, hotels, lofts, warehouses, theatres and, in fact, almost anything in the nature of improved real estate. Examining the circulars describing these weakly-secured underwritings, one is at a loss without further information to determine their soundness. For example, most circulars show bonds issued up to about 50 or 60% of the appraised value of the property behind them. But this value may mean almost anything. Anyone who has built a house knows how difficult it is to determine in advance exactly what the house will cost. After one is through with changes in plans and "extras" the house usually costs very considerably in excess of the original estimates.

In the case of the bond issues underwritten by the smaller fry in this business, however, one too often finds that quite the reverse is true. So liberal are the appraisals placed on properties by all except the very best houses that it would be a matter of great surprise if, after allowing for "extras" and all, the actual cost of construction including architect's fees and carrying charges (interest, taxes and the like), even approached the figure set up in the bond prospectuses. In fact, many of the firms which have gone into the real estate bond business go even further, and it is a matter of common gossip that loans are frequent in which the bond issue represents the entire cost of land and building, the owner who signs the bonds contributing not a penny beyond his own time and trouble.

It is a common practice in the real estate bond business to issue the bonds and sell them to bondholders as soon as the mortgage is placed on record and construction started. If one is dealing with a solidly established house, the construction feature need cause no concern. In the trustworthy firms handling real estate bonds, the investor is protected during the construction of the building in several ways. First, the house demands in negotiating a loan that it be shown that the borrower has sufficient liquid funds to construct the improvements. Second, the better class of bond dealers underwrite only the issues of responsible and experienced builders. The builder is required to give a guarantee of completion, backed by all his assets, and he must have sufficient financial responsibility

IN view of the wide interest in this subject and particularly the number of new concerns that are embarking in the first mortgage bond business, we believe that this article will prove of interest and value to everyone who owns real estate bonds, holds a straight mortgage or a guaranteed mortgage. The purpose of this article is to warn our readers against indiscriminate investments in so-called first mortgage bonds which are being issued by newly organized companies many of which are mere promotions operated by men who are experienced in getting money out of the public but who are not well versed in the management of a sound and conservative real estate bond business. What has happened in the field of so-called oil stocks is in a fair way to be repeated among the underwritings of the weaker and newer class of houses that have engaged in this industry, and it is not only time for conservatism in these transactions, but it is also best to follow the old and well-tried investment rule of diversification. Comparatively few of the many firms offering real estate bonds are worthy of the investor's confidence. The investor should make certain that he is dealing with a house of high character, long experience and unquestioned integrity.

to protect the bondholders. Third, the bondholder has a final safeguard in the shape of the guarantee of completion of the underwriting house.

Where construction bond issues are put out under these circumstances, sponsored by an experienced and reliable firm, the investor therefore is amply protected. Unfortunately, however, such houses are in the minority. In many cases, bonds are underwritten on properties outside of good renting districts, on ramshackle and flimsily constructed buildings, or in neighborhoods already overbuilt. In many cases, the borrowers are themselves men of small responsibility who are putting up their improvements "on a shoe string."

In the case of many small dealers in investment bonds, there is a lack of proper provision for safeguarding the bondholders against the danger of failure to complete the building. Investors should satisfy themselves on every point in regard to the construction feature of the loan and should make certain that the bond dealer who is trying to persuade him to become one of his customers is sufficiently financed and possessed of sufficient experience to make certain that the building is built substantially, as described in the circulars and free of mechanics' or other liens which might take precedence over the claims of the bondholders.

Yet, it is not always easy for the investor in first mortgage real estate bonds to separate the sheep from the goats, to distinguish between houses that are worthy of confidence and those which are not, and to separate the good, solid, dependable securities from those whose exterior is promising but which lack any real assurance of safety.

One symptom of danger which is worth pointing out is this: A number of the smaller fry which have entered the real-estate bond business are selling stock in the business as well as real-estate bonds. Sometimes the two transactions are separate, sometimes the stock is offered as a bonus with the bond. In either case the real-estate bond firm is obviously in a formative stage, usually, in fact, an outright promotion. In any event, a company which lacks proper financing to such an extent that it must sell its shares to the public is not a real-estate bond dealer to command the investor's full confidence.

Careful Selection Vital

So far as the circulars and so far as any research or investigation that is within the possibilities of the average individual investor are concerned, there is no answer to this question. The best protection in this line of securities lies in the careful selection of the underwriting house. In considering real estate bonds, it is even more vital to select carefully your investment dealer than it is to choose with caution from the individual offerings submitted. A few—unfortunately, a very few compared to the great number of real estate bond firms now in active operation—are worthy of the investor's trust and confidence. The investor should make certain that his real estate bond dealer has large financial resources, high credit standing at the banks, long experience in

The General Motors building in Detroit—the largest office building in the world—financed through the sale of real-estate bonds

the real estate bond business itself—not merely in the business of real estate speculation or development or brokerage. The past and proven record of a real estate bond house is the best guide an investor can have, and yet, even here it is very difficult to distinguish the true from the false.

Some fifteen years ago, a large real estate bond house whose business had developed out of a business of dealing in real estate mortgages and whose record had been clean of defaults with subsequent losses to investors, capitalized this record by publicly claiming never to have sold a security which had caused loss to any of its clients. This method of advertising seems to have been widely adopted in the real estate bond business, and in many cases on the flimsiest of pretexts.

Today, picking up at random a newspaper or magazine carrying a considerable volume of financial advertising, one will find a number of firms claiming "........ years without loss to any investor." It is interesting to analyze these records, wholly true and justifiable in some cases, misleading in others, and utterly false in still others, to examine them coldly in the light of facts. These records, real and alleged, might be classified as follows:

Type No. 1—A real estate bond house, founded many years ago, which has underwritten and sold a large volume of securities during that time and which has continually been in the business of dealing in real estate securities under virtually the same policies, ownership and management throughout that time.

Type No. 2—Firms which have been in business a shorter period of time, dealing in several classes of securities, in some of which losses have been incurred, but which can show a clean record so far as their real estate bond underwritings are concerned. (In some instances investigation will show that almost all the real estate bond development was of very recent occurrence).

Type No. 3—Companies which have handled a very small volume of real estate securities annually over a long period of time but which suddenly have branched out on a much larger scale in the real estate bond business.

Type No. 4—A real estate broker who conducts a business of buying, selling and renting real estate on a commission basis, handling occasionally a purchase money mortgage in the course of his transaction. He goes through life as a "realtor" of local note; he dies; the business struggles on and is sold by his estate to capitalists who bring in new money, new management, and a new policy with the new ownership. They go into the real estate bond business and advertise "———— years without loss to any investor," dating the number of years back to the time when the original real estate brokerage business was commenced.

One might multiply instances, but this will suffice. It only goes to show that investors should ask questions when a real estate bond firm claims to have been in business a certain number of years without loss. These questions might readily cover the number of years the firm has been in the real estate bond business, the number of years it has been claiming to have handled real estate bonds without a loss, whether it has been under the same ownership, management and control, etc., etc.

The foregoing, of course, must not be taken in any way as a disparagement of the best real estate bonds. The best real estate bonds are truly gilt-edged investments and the offerings of a few houses, when purchased for permanent investment for a part of one's investment funds, may be accepted with perfect confidence. Discrimination here, as in other fields of securities, is imperative. It is, in fact, even more imperative because standards are less firmly fixed, circulars of good and bad investments look pretty much alike and the sponsorship and character of the investment dealer offering the bonds is, after all, the investor's chief safeguard.

Much of the discussion of real estate bonds centers in the percentage of the loan to the total value of the property. As pointed out in a previous article on real estate securities, however, the mere percentage figure taken by itself is far from the true index of the soundness of such a bond issue.

Where there is ample and assured earning power mortgaged to extinguish the bonded debt by means of a proper system of amortization, loans of 70 and 75% of the value of the property are of proven safety. The farther one goes above this safeguard toward the 100% mark, of course, the less the factor of safety becomes and the greater the danger of trouble and loss.

Interest rates have been declining for the last year, and more in real estate than in other fields. High-grade bond issues ranging from 60 to about 75% of the value of the property under present market conditions yield 6% in New York City and 6½% in some other localities. Builders with sound and meritorious proposi-

tions can get all the capital they wish at these rates. Yet we constantly see offerings of bonds giving a considerably higher income yield. If these were offered on their merits as business men's investments, little harm would be done, but the circulars, advertisements and literature describing these bonds invariably put them forth as gilt-edged securities of the highest type.

It is important to recognize, however, that the interest rate on a real-estate bond presumably will bear a relation to the customary or legal rate of interest in force in the particular part of the country in which the mortgaged property is located. In the South, for example, interest rates as high as 7% are legal. We find issues at both 6½ and 7% offered on property in this territory. As a rule a 6½% bond will be secured by property of a better character and in a better location, but a bond bearing the highest rate conforming with legal limitations on individual loans in that section could be issued without necessarily denoting that the bond in question was of doubtful integrity.

It must be borne in mind, however, that in most states the legal limitations imposed by usury laws as a general rule apply only to obligations of individuals, while corporations are free to borrow at higher rates.

In this connection, it might be worth while to cite actual interest rate in New York on various obligations at the time this article was written. Banks were allowing 2% on balances if sufficiently in excess of the ordinary requirements. Call money ranged about 4%. Prime commercial paper stood at about 4¼%. The legal rate of interest on individual obligations was 6%. Short-term real estate trustee mortgage loans were at 5½%. Long-term first mortgage real-estate bonds, covering both construction and loans on completed building, running about 15 years, were at 6%.

A high interest rate should be a red flag of warning to the investor. It means in nearly all cases that the builder has put little and perhaps no cash into the property and the bondholders' money furnishes nearly all and sometimes actually all the funds involved in the purchase of the land and the erection of the building. "Shoe string" builders naturally are willing to pay high interest rates. The builder who is willing to invest a substantial sum of his own money in the property and whose proposition is worthy of the confidence of investors naturally pays a lower rate. It is very difficult in trying to analyze some of the loans that are being made today by bond promoters of doubtful responsibility to get at the real facts and ascertain whether the estimate of rental earnings is accurate.

Some circulars do not give the value of the property on which the loan is made, although this is not necessarily grounds for suspicion. With same honorable exceptions, inflated valuations are the rule and instances are common enough of inflated statements of rental earnings. To such an extent has this gone that reputable houses whose valuations will stand investigation are put to serious disadvantage in the eyes of the public. For example, one of the reputable real estate bond firms finds itself in the peculiar position that its issues are not legal for trust funds in the state of Michigan, while in many instances the offerings of fly-by-night promoters had been declared legal and had been purchased by trustees. This house, placing a fair valuation on the property securing its offerings, shows its loans to represent some 70 or 75% of this value. Other dealers, less scrupulous, have qualified for legality by the process of appraising the mortgaged property at double the amount of the bond issue, thus complying with the 50% provision of the Michigan law.

This method of making a bond issue legal for trustees has at least the merits of simplicity. If the Michigan legal restrictions were 33 1/3% of the value of the mortgaged property instead of 50%, the same dealers, without doubt, would appraise the mortgaged property simply by multiplying the amount of the bond issue by three.

As previously has been pointed out, there is much loose thinking among mortgage men, who judge the safety of a loan merely by the percentage of the mortgage to the value of the property. There is, of course, nothing hallowed about 66%, 60% or any other figure. If a loan is safe at 66% of the value of the property, it might conceivably be safe at 69%, and it would be difficult, indeed, to determine exactly at what point the danger line would be crossed. As a matter of fact, the chief office and purpose of an equity behind a loan is to make certain that the borrower has ample funds of his own at stake in the property. The amount, of course, varies with the deal. What is safe in one instance is unsafe in another, and it would be difficult to lay down any broad general law that would cover all mortgages.

What Figures Mean

The old-fashioned type of mortgage banker looks aghast at a loan of 7%. Yet the proof of the pudding is, after all, the eating, and many houses claim that a

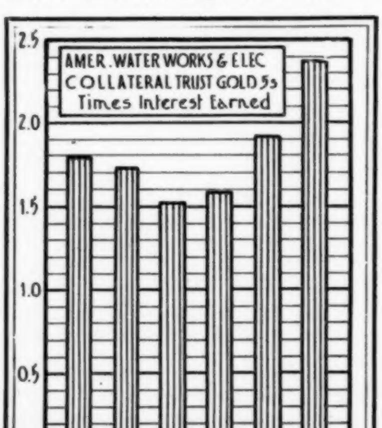
(Please turn to page 662)

An Attractive Bond Issue

American Water Works & Electric 5s Offer Good Investment Opportunity at Current Prices

AMERICAN WATER WORKS & ELECTRIC 5% collateral trust bonds, due April 1, 1934, are an acceptable business man's investment. These bonds have a good market on the New York Stock Exchange, where they are quoted at about 84, with a straight yield of about 6% and a yield to maturity of slightly over 7%. The bonds are not of the very highest grade, but their quality has improved steadily over a period of years with earnings, on the average, at about twice interest requirements. In 1922, earnings were the best in the history of the company, and interest on this issue was earned over two times.

There are 15 million dollars of these bonds outstanding followed by 6.65 millions cumulative 7% preferred stock on which dividends are being paid; 10 millions of participating preferred 6% stock, on which no dividends are being paid but on which it is believed dividends will soon be paid, and 9.2 millions of common stock.



The company is a holding company and is interested in other phases of public utility service than merely water distribution as its title signifies. One of its most valuable properties is the West Penn Traction & Water Power Co. of which American Water Works owns about 70% of the common stock. Earnings of the West Penn Company took a remarkable jump last year and the holding property will profit greatly when dividends are restored. In common with other public utility companies, American Water Works' earnings were affected adversely in 1921 but last year showed a trend in the reverse direction. As a consequence, the company will probably show no less than $4 a share on its common stock for 1922.

The collateral trust 5s are a direct obligation of the company and are secured by deposit and pledge of over $50,000,000 securities, stocks and bonds, of its subsidiaries. The bonds appear well protected. From an earnings viewpoint also, as stated previously, there is every indication that interest requirements on this issue can be maintained with a satisfactory margin to spare.

The bonds are selling relatively low and further general appreciation of the improvement in the company's affairs will probably increase the investment demand for this issue. Regardless of its profit possibilities, however, the bonds give a very good return and are recommended as a business man's investment of improving quality.

BOND MARKET DULL AND IRREGULAR

Acute Weakness in Some Foreign Bond Issues—Liberty Issues Firm —Railroads and Industrials Listless

THE bond market, during the past two weeks, was anything but exciting, except for French and Belgian issues which were sold vigorously. French Republic 7½s declined to 90 and the 8s got down to 92. French cities were acutely weak and may now be had on better than a 9% basis. Nothing could better illustrate the increasingly poor financial position of France. Incidentally, it may be remarked that our recommendations to dispose of foreign issues a few months ago were more than justified by developments which have taken place since.

Liberties Strong

Contrasted with this melancholy showing of French issues was the uniform strength in our own Liberty bonds. Though considerably off from the high points of last year, they are still within striking distance and on any material decline investment demand appears. One of the most significant features of the bond market is the strength of Liberties in the face of general weakness.

There were few important changes among issues of railroad or industrial the most significant features of the bond took on one of their periodical bursts of strength. Gains and losses were about equally divided in the entire list

The Foreign Factor

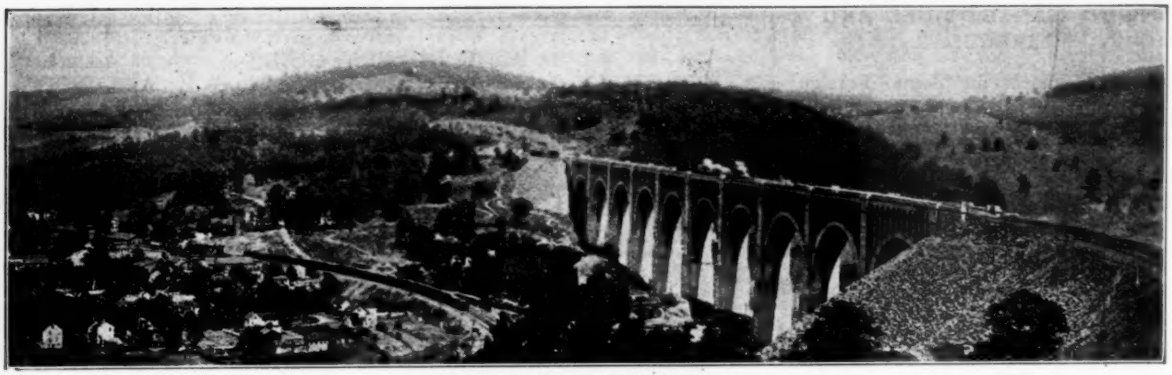
At this writing, the outlook for the bond market is obscured by a host of factors, the principal one of which is the foreign situation which has unfavorably affected the investment market from a psychological viewpoint. There is, of course, no direct relation between the Franco-German impassé and our domestic industrial bonds but the effect is the same since it has the tendency to discourage buyers and where there are few buyers, the market naturally has little by way of sustaining force. For that reason the outlook for corporate bonds will be tinged to a certain extent at least by the foreign situation. Should that clear up, there is no doubt that this section of the investment market will give a good account of itself. This is particularly true because of the favorable condition of the money market. Time money rates are at 4¼% against 4½% several weeks ago which indicates a seasonal ebb in demand for funds. On the present basis of the money market and its outlook for the next two or three months, a good foundation for a rising bond market can be built up, provided, as stated, the foreign situation does not become further demoralized.

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	GILT EDGE.			
	(e) Railroads.			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	92	7.04	.80‡
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	94¼	5.34	2.80
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	87	5.03	1.65
4.	Southern Pacific (b) 1st Ref. 4s, 1955	87½	4.77	1.65
5.	Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	87¼	4.76	2.40
6.	N. Y. Central Genl. Mtg. 3½s, 1997	75¼	4.68	1.80
7.	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	88⅞	5.04	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1952	87¼	4.84	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	91½	4.98	2.20
10.	West Shore (a) 1st Mtg. 4s, 2361	88	5.02	**
11.	Norfolk & Western (c) Cons. 4s, 1996	90¼	4.44	3.95
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	105	4.77	1.40
13.	Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	81	4.98	1.80
	(e) Industrials.			
1.	Armour & Co. (a) R. E. 4½s, 1939	88½	5.57	†
2.	General Electric (b) Deb. 5s, 1952	102¼	4.86	6.75
3.	International Paper (a) 5s, 1947	85⅞	6.13	5.55
4.	Indiana Steel (a) 5s, 1952	101	4.93	16.70
5.	Liggett & Myers (aa) Deb. 5s, 1951	97½	5.17	4.65
6.	Baldwin Loco. (a) 5s, 1940	101⅜	4.86	3.50
7.	National Tube (a) 5s, 1952	100½	4.97	**
8.	Corn Products (a) 5s, 1934	100½	4.94	60.70
9.	U. S. Steel (a) 5s, 1963	103⅛	4.81	8.70
	(e1) Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	103⅞	5.71	3.40
2.	American Tel. & Tel. (c) 5s, 1946	99	5.07	4.80
3.	Philadelphia Co. (c) 6s, 1944	100¼	5.98	3.50
4.	N. Y. Telephone (b) 4½s, 1939	93⅛	5.08	**
5.	Montana Power (c) 5s, 1943	96½	5.28	2.90
6.	Col. Gas & Electric (a) 5s, 1927	96¼	6.07	4.15
7.	N. Y. G., E. L., H. & P. (a) 5s, 1948	100	5.00	2.10
8.	Pac. Tel. & Tel. (a) 5s, 1937	95⅛	5.11	1.75
	MIDDLE GRADE.			
	(e1) Railroads.			
1.	Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	91¼	5.81	2.40
2.	Ches. & Ohio (b) Conv. 5s, 1946	95	5.38	1.55
3.	Missouri, Kansas & Texas Prior Lien 5s, 1962	81¼	6.39	.75
4.	St. Louis-San Fran. (a) Prior Lien 4s, 1950	68⅜	6.45	1.00
5.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	77¼	5.74	0.80
6.	Illinois Central (b) Col. Trust 4s, 1953	85⅞	4.95	2.25
7.	Pere Marquette (c) 1st Mtg. 5s, 1956	86⅛	5.24	2.05
8.	Kansas City Southern (a) 1st Mtg. 3s, 1950	67¾	5.23	1.70
9.	Southern Pacific (b) Col. Trust 4s, 1949	82⅞	5.22	2.40
10.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	76½	5.28	2.00
11.	Chic. & Eastern Ill. (c) Gen. 5s, 1951	79½	6.61	2.10
	Industrials.			
1.	South Porto Rico 1st Mtg. 7s, 1941	100	7.00	5.50
2.	Sinclair 1st Lien, Col. Tr 7s, 1937	100¼	6.92	3.70
3.	Wilson & Co. (a) 1st 6s, 1941	100	6.00	2.10
f 4.	Adams Express (b) 4s, 1948	80	5.48	2.60
5.	Comp. Tab. & Recording (b) 6s, 1941	90	6.42	5.45
6	Int. Merc. Marine (b) 6s, 1941	90	6.97	5.15
f 7.	Lackawanna Steel (c) 5s, 1950	90¼	5.66	6.90
8.	U. S. Rubber (c) 5s, 1947	88	5.95	2.35
9.	Amer. Smelting & Refining (c) 5s, 1947	90¼	5.70	5.00
10.	Goodyear Tire (c) 8s, 1941	115	7.35	9.55
	(e) Public Utilities.			
1.	Public Service Corp. of N. J. (a) 5s, 1959	84¼	6.04	1.50
2.	Detroit Edison (c) Ref. 5s, 1940	95⅜	5.37	2.80
3.	Brooklyn Union Gas (a) 5s, 1945	99	5.07	*1.35
4.	Northern States Power (b) 5s, 1941	91¼	5.74	1.80
5.	Brooklyn Edison (c) 5s, 1949	96½	5.25	2.20
6.	Utah Power & Light (a) 5s, 1944	91½	5.70	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	93½	5.68	1.70
	SPECULATIVE.			
	Railroads.			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	62½	7.02	.70
2.	Iowa Central (a) 1st Mtg. 5s, 1938	72	8.21	....
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	76	7.58	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	76	8.11	*1.90
5.	Mo., Kansas & Texas Adj. Mtg. 5s, 1967	61¼	8.31	.75
6.	Erie (a) Genl. Lien 4s, 1996	44½	9.00	0.70
7	Southern Railway (a) Genl. Mtg. 4s, 1956	67⅜	6.35	1.85
8.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	61¼	6.09	.90
9	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	91½	5.86	1.40
10.	Chic. Gt. Western (a) 1st 4s, 1959	50½	8.30	....
	Industrials.			
1.	Chile Copper (b) 6s, 1932	97⅜	6.35	3.80
2.	American Writing Paper (a) 6s, 1939	85¼	7.62	1.90
3.	American Cotton Oil (a) 5s, 1931	80	8.50	2.15
4.	Cuba Cane Sugar (c) 7s, 1930	87	9.60	1.80
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	83¼	6.14	*1.60
2.	Intr. Rapid Transit (a) 5s, 1966	70	7.29	1.60
3.	Third Avenue (b) Refg. 4s, 1960	59¼	7.09	*1.20
4.	Va. Railway & Power (a) 5s, 1934	84⅛	7.03	1.90

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500. (d) Lowest denomination, $50
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.

(x) This issue was created on May 1, 1921. † This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920. * Number of times over interest on these bonds was earned. ** Earnings are not reported separately. ‡This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. Interest on this issue was fully covered. (e) Bonds in this group should no longer be purchased. They appear now as a matter of record only. (e1) Bonds in this group should no longer be purchased with the exception of Duquesne Light 6s, Phila. Co. 6s, M., K. & T. 5s, Frisco 4s, & Chi. & E. Ill. 5s. (f) These bonds should no longer be purchased. They appear as a matter of record only.



TUNKHANNOCK VIADUCT
Situated 19 miles west of Scranton and 40 miles east of Binghamton. Length of Viaduct, 2,375 feet. Height above surface of stream, 240 feet. Height from bed rock, 300 feet.

Are Lackawanna Shares Too High?

Present Position and Outlook for Delaware, Lackawanna & Western R. R.

By A. M. SAKOLSKI

Instructor of Railroad Analysis, New York University

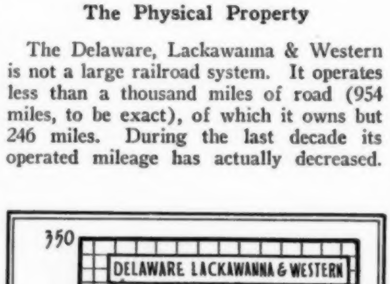
TO define clearly the present market position and prospects of Lackawanna stock is not an easy task. Shorn of its lucrative coal properties, forced to divert one-half of net railroad income above 5¾% on its property value to a general railroad fund, and, at the same time, threatened with reduced output of coal in its territory, the Delaware, Lackawanna & Western may be likened to rich but skimmed milk.

In physical characteristics the Lackawanna is almost without a peer among American railroads. Possessing not only the shortest route between New York and Buffalo, but also the best constructed and best equipped among the eastern trunk lines, it has in addition favorable connections for traffic interchange and through routing with lines operating west of Buffalo, and its tidewater terminal facilities are unsurpassed. Moreover, aside from moderate rentals and interest charges on leased or controlled lines, its fixed charges are almost negligible. With these counterbalancing favorable and unfavorable features, Lackawanna shares for years have sold at a higher premium above par value ($50) than any other listed railroad security.

For almost a half century, the Lackawanna has been a highly profitable enterprise. Its shareholders have been rewarded with handsome dividends even during a period when heavy surplus earnings were ploughed into the railroad property. Since the stock became a dividend payer, in 1842, shareholders have received dividends aggregating more than 700%, and stock distributions aggregating 247%. The stock dividends aggregate in par value $54,735,820, of which $1,617,800 was in shares of subsidiaries. In addition valuable subscription rights to shares in the segregated properties were granted stockholders. All this, however, is a matter of record. It is glory of the past. The perplexing question now is "Has the cream been taken off?" Or "Will the Lackawanna, like a shorn sheep in a rich pasturage, accumulate a new growth of assets for future clipping?" These are pertinent queries of investors and speculators in present Lackawanna shares.

The Physical Property

The Delaware, Lackawanna & Western is not a large railroad system. It operates less than a thousand miles of road (954 miles, to be exact), of which it owns but 246 miles. During the last decade its operated mileage has actually decreased.



The reduction arises from the construction of expensive "cut-offs" to make the "shortest route shorter yet." A cut-off between Port Morris, N. J., and Slateford, Pa., a distance of twenty-eight miles, was constructed at a cost of $1,500,000 per mile, in order to shorten by eleven miles the line between New York and Buffalo. Another cut-off between Clarks Summit and Hallstead, Pa., thirty-eight miles, resulting in a reduced mileage of 3.6 miles, is reported to have cost about $10,000,000. Obviously, such costly improvements would not have been undertaken if the Lackawanna had not possessed immense financial resources and a management that looked forward to a pronounced and permanent traffic growth.

The physical upbuilding of the Lackawanna dates from 1899. In that year, W. H. Truesdale was elected the company's president. He has been a great advocate of railroad physical perfection. In his first annual report to Lackawanna's stockholders he announced that the company's problem was "decreasing its transportation cost by the use of heavier locomotives and cars and the adoption of modern methods and improved devices for maintaining its property." Accordingly, he at once prepared elaborate plans of physical betterment. In order to support the weight of heavier equipment purchased, he replaced or strengthened many light bridges by more modern types, tracks were elevated in congested sections of large cities, curves were reduced or eliminated, and circuitous routes originally followed to avoid heavy grade, were abandoned or discarded through the construction of cut-offs with long masonry viaducts or deep re-enforced cuts. The whole scheme of improvement was carried out successfully without recourse to bond issues and without serious interrup-

tion to the company's increasing traffic. Stockholders, in the meantime, received regular dividends and have since benefited by the lower costs of operation and the larger business made possible by the highly improved physical property.

The main line of the Lackawanna, extending from Hoboken to Buffalo, is a handsomely constructed, modern, double-track railroad of 410 miles, with branches of varying types extending to anthracite fields, the cement region of Pennsylvania and to traffic centers in central New York and on Lake Ontario. At New York Harbor, at Buffalo, Suspension Bridge and at Oswego, valuable and adequate terminal facilities permit the economical handling of both through and local traffic.

Lackawanna's Coal Traffic

Lackawanna's wealth and greatness is due to anthracite. Its competitive success over other coal carriers in its territory may be largely ascribed to ownership of low-cost anthracite mines. These mines could produce and ship coal at a profit when the tidewater anthracite market was so demoralized as to cause the collapse of high-cost producers (particularly in the Reading's Skuylkill field.) The mines, although no longer an integral part of Lackawanna's assets, will undoubtedly continue to furnish a heavy traffic density for some time. However, the well-known fact that the coal beds in the northern or Wyoming anthracite field, tapped by both the Lackawanna and the Delaware & Hudson, have a relatively small reserve compared with the southern or Skuylkill field, and are being rapidly exploited, makes the problem of approaching exhaustion less remote than is generally conceived.

Capable mining engineers have occasionally testified that the commercial supply still unmined in this section will last not longer than 25 or 30 years, and as Lackawanna originates about 40% of the traffic in the anthracite fields, this exhaustion would mean a serious impairment of earnings. However, Lackawanna's present or prospective stockholders need not worry over the gloomy prophesies of coal exhaustion. No other anthracite carrier is so well prepared to handle a diversified through traffic in trunk line territory, and none have made as great and effective efforts to obtain through trunk line business as Lackawanna. The company has had for a number of years a west-bound fruit traffic unrivaled by competing lines. Recently, an export freight bureau was organized in the traffic department to assist in developing and handling interchange of business with ocean carriers. Efforts along these lines mean much for Lackawanna's future.

Prospective Consolidation

The Interstate Commerce Commission's tentative report on railroad consolidations hitches the Lackawanna with the Erie, Delaware & Hudson and the Nickel Plate. The only motive in including the ill-fated Erie in the combination is a leveling of financial status. The Lackawanna is rich and Erie is poor. By combining their properties you'll have a fair average of railroad financial strength—in other words, a mediocre investment proposition. Certainly, there is no advantage to Lackawanna's stockholders in this. Moreover, nothing is gained from a traffic standpoint. Erie and Lackawanna have no important points of traffic interchange. True, they are rivals in obtaining through traffic from and to Atlantic tidewater. But no competitive advantage would be gained to either through combination. There would still remain the competition of the strong trunk line systems, such as the Pennsylvania, the New York Central and the Baltimore & Ohio. The partnership of Erie and Lackawanna would not mean greater operating economy, or the maintenance of customary routes of traffic, or any other public advantage. It may mean, however, an impairment of Lackawanna's credit and an ultimate evil in railroad finances—not very different from New Haven's spectacular collapse.

A Lackawanna-Nickel Plate combination without union with Erie has many commendatory features. The Nickel Plate, like Lackawanna, is a heavy freight carrier. Its traffic density is unusually large, and it is now doing the heaviest business in its history. Like its proposed partner, it falls short of ranking as a trunk line system because of an outlet at one end to a metropolitan terminus. Both lines joined together (at Buffalo), however, form a splendid through route from Chicago to New York, the goal of trunk line development in eastern territory. It is true, as Professor Ripley states in his report on railroad consolidation, that the Nickel Plate's physical qualities are not up to Lackawanna's standards. But with Lackawanna's financial resources and high credit standing this defect can be readily remedied. The present owners of the Nickel Plate would serve the public and themselves better if they would abandon their present scheme of lateral expansion (by hooking on the Lake Erie & Western and the Clover Leaf) and instead foster a union with the affluent and powerful railroad system that furnishes an adequate and efficient outlet to the sea.

Lackawanna's Earnings

The immediate task of both Nickel Plate and Lackawanna is the conservation of earning power. The gross revenues of both systems are heavy and increasing, but the net figures in recent months have not made a bright showing. In common with other anthracite carriers, Lackawanna has been hard hit by both the shopmen's and the coal miners' strikes. Its net income during the last year has fallen below the dividend requirements. With its shares doubled by a stock dividend distribution, the permanency of the present rate (12%) will depend on the company's ability to cut down transportation costs. The operating costs for the first ten months of 1922 were unusually large, about 85% of the gross earnings. This ratio was exceeded only in 1920, when 88.6% was registered for the full year. During the decade prior to Government operation of the railroads, the annual operating ratio fluctuated between 54% and 66%, the lowest among the anthracite carriers. It is doubtful whether the costs of performing railroad service in relation to gross earnings prevailing in pre-war days will again be permanetntly re-established. Traffic may increase to some extent, but increased wages and higher materials and construction costs are likely to offset gains in gross revenues. Whether the point of diminishing returns in the railroad business has been reached is, of course, still problematical, but it seems well settled from recent experiences, that railroad rates cannot successfully be continuously increased to meet higher transportation costs, and instead of resorting to higher charges for their services, the railroads must concentrate on greater and still greater operating economies. For

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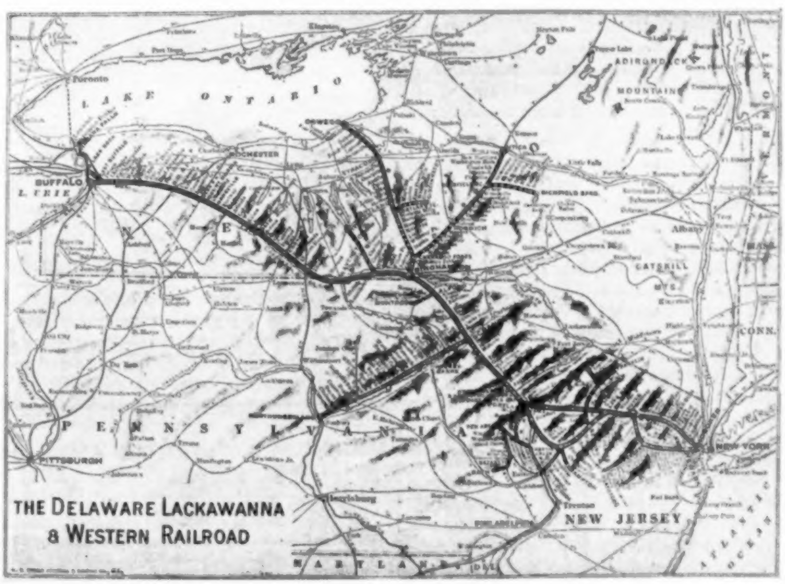
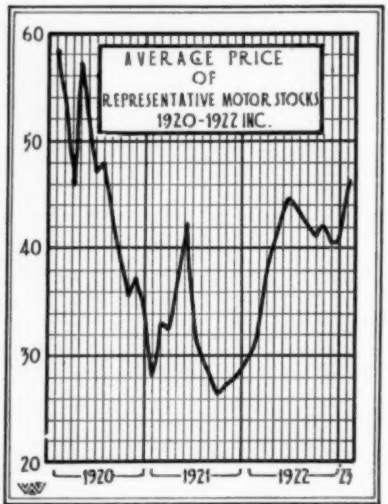


THE DELAWARE LACKAWANNA & WESTERN RAILROAD

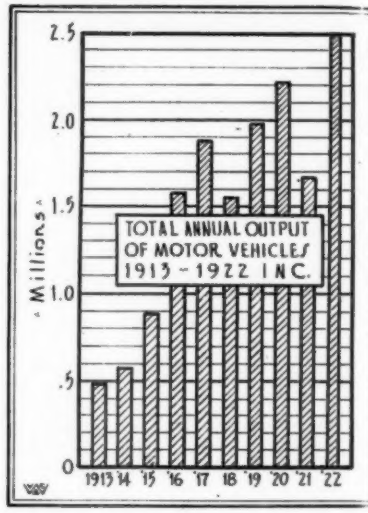
Money, Credit and Business

America's Golden Goose



Astounding Growth of the Motor Industry—Its Relative Position Today—Is the End Drawing Near?

By RALPH RUSHMORE



IF a great disaster, a colossal plague, or an irresistible attraction in South America were to create the excuse, the entire population of the United States of America could embark by motor vehicle and flee the country.

—If another emergency should call for assembling the entire 5,000,000 men who were in active service in the Great War at any one point, the motor vehicles collected in the State of Ohio alone would be more than enough to accommodate them.

There are, at present, exactly 12,357,376 motor vehicles of all types in this country. The population of the country, according to the 1920 census, was 105,710,610. Thus, we have in America a motor vehicle — truck, touring car, roadster or speed wagon—for every 8.7 persons.

In point of total number of cars owned, the State of California tops the list. The state that embraces Los Angeles and San Francisco — the two proud cities who aspire to some day lead the world—can boast of a motor car—a *passenger* car, that is—for every 4.3 persons. If the average family numbers 5 persons, then, it might be said that the Pride of the Pacific has an automobile in every home!

Iowa—nearly two-thirds of whose people are classed as "rural"—ranks second in point of individual car ownership. This thriving (or is it *progressive?*) state has a car for every 5 persons! Its showing is in startling contrast with the showing of New York State, some 83% of whose inhabitants are city dwellers—dwellers largely in the "money center" city, the "wealthiest city in the world": For Iowa's car per 5 persons, New York has a car for only every 13. Indeed, New York ranks ninth on the list of the nine greatest car-owning states of the union.

The Industry's Relative Importance

Many estimates are heard of the relative importance of the great industries of this country. Perhaps as reliable a guide as can be found is the U. S. Census report—that huge tabulation the Government compiles once every decade. The last compilation was made in 1920, when conditions in individual industries *as related to one another* were not much different than they are today. Studying over the findings of the census, it develops that, excluding agriculture, the automotive industry is the third largest industry, in value of output that we have. Thus, where Slaughtering & Meat Packing produces 4.2 billions of value; and Iron & Steel Works produce 2.8 billions, the Motor Industry produces nearly 2.4 billions!

The great size of the motor industry is no more amazing than its phenomenal growth: In fact, the records show that the motor industry has outstripped all other industries from the viewpoint of expansion in recent years. Only Oil Refining approaches it in rapidity of growth. In the 5 years from 1914 to 1919, the value of motor products increased by 372%; whereas, Oil Refining increased but 312%, iron and steel 207% and

THE MOTOR INDUSTRY'S PLACE IN AMERICAN BUSINESS

	Census Year	No. of Establishments	Wage Earners (Average Number)	Capital (In Millions)	Wages (In Millions)	Cost of Materials (In Millions)	Value of Products (In Millions)
All Industries	1919	290,105	9,096,000	$44,558	$10,533	$37,376	$62,418
	1914	275,791	7,036,000	22,791	4,078	14,368	24,246
1—Slaughtering & Meat Packing	1919	1,304	160,996	1,176	209	3,783	4,246
	1914	1,279	98,832	534	62	1,442	1,652
2—Iron & Steel, Stl. Wks. & Rolling Mills	1919	500	375,088	2,657	638	1,681	2,828
	1914	427	248,716	1,258	186	591	919
3—Automobiles	1919	315	210,559	1,310	312	1,578	2,388
	1914	300	79,307	312	67	293	503
4—Foundry & Machine Shop Products	1919	10,934	482,767	2,105	623	948	2,289
	1914	10,640	362,471	1,246	244	358	867
5—Cotton Goods	1919	1,288	431	1,853	355	1,278	2,175
	1914	1,179	379	867	146	432	677
6—Flour & Grist-Mill Products	1919	10,708	45,481	802	51	1,799	2,052
	1914	10,788	39,718	380	25	752	878
7—Petroleum Refining	1919	320	58,889	1,170	90	1,248	1,633
	1914	176	25,366	326	20	325	396
8—Lumber & Timber Products	1919	26,119	480,945	1,358	489	471	1,387
	1914	27,249	480,207	917	240	282	716
9—Clothing (Women's)	1919	7,711	165,649	391	195	680	1,209
	1914	5,564	168,907	154	93	252	474
10—Clothing (Men's)	1919	5,258	175,270	554	198	606	1,163
	1914	4,830	173,747	224	87	230	458
11—Boots & Shoes	1919	1,449	211,049	613	211	715	1,155
	1914	1,355	191,555	255	106	310	502
12—Bakeries, etc.	1919	25,095	141,592	529	158	713	1,152
	1914	26,000	124,052	271	77	274	492
13—Woolen & Worsted Goods	1919	852	166,787	832	168	666	1,065
	1914	799	158,692	390	76	246	379

slaughtering 156%. In view of the phenomenal year enjoyed by the motor industry in 1922—much bigger, relatively, than that of the next fastest "growers," it seems safe to say that the wide margin by which motor production outran the field in 1914-19 has been even further widened in 1919-1923.

In a word, then: The American automotive industry cannot only claim to being the third largest in this country, but it may also claim to have been the fastest growing industry.

Who Gets the Profits?

In the case of other industries that had their day before motor cars provoked anything more than mirth, much of the original profit poured into the coffers of little groups. Thus, the railroad industry quickly developed into territorial monopolies, with practically all affiliated enterprises—machine shops, yards, terminals, etc.—subservient to the controlling groups. The individuals who participated in railroad profits or secured gainful occupation through the roads' operations, numerous though they may have been, were either in the roads' employ or else associated with mammoth allied enterprises.

With the motor industry it has been very different: Indeed, this industrial Golden Goose has dumped treasures into the laps of greater numbers of independent individuals, probably, than any other industry in the history of the country. A tabulation presented by the New York *Herald* some months ago serves to illustrate the point. This tabulation estimates that the motor industry provides a direct means of livelihood for:

1,200,000	Professional Chauffeurs and Drivers
106,000	Motor Vehicle Salesmen
236,000	Garage Employees
150,000	Tire Dealers and Salesmen
1,692,000	

Thus, an army of over a million and a half men find a direct means of support in the motor industry which they may take advantage of without surrendering their identity as individuals. If we may set the average salary of professional chauffeurs and drivers at thirty dollars a month—which is ridiculously low—then a field for this single type of independent worker paying no less than 432 millions annually in salaries has been created by the motor industry.

The compilation referred to offers even more striking facts: By determining the per cent. of the total production of any industry consumed by the motor industry, and then taking the same percentage of the number of workers in that industry, it arrives at a very reasonable estimate of the number of persons who owe their jobs directly to the genius who first invented internal combustion engines and the later geniuses who have developed its commercial use. Summing up, it is found that nearly 2,500,000 persons come under this heading—or more than there are in the states of Iowa, Kentucky, Minnesota or Oklahoma!

WHAT SOME OF THE COMPANIES EXPECT TO TURN OUT IN 1923

Ford Motor	1,500,000
General Motors	530,000
Studebaker	150,000
Dodge Bros.	150,000
Hudson	75,000
Maxwell	60,000
Hupp	30,000
Dort	30,000
Cadillac	30,000
Durant, Star	60,000
Packard	30,000

A Boon to Other Industries

Just as the motor industry has been a boon to individuals, in the enormous number of "jobs" it has created, so too has it been a boon to industry. Many of the great industries of this country feed the lion's share of their output to automotive or affiliated plants. Thus, 85% of our rubber is so consumed; 30% of our plate glass; 22% of our aluminum; 20% of our tin and 16% of our copper.

NUMBER OF PASSENGER AUTOMOBILES NOW IN USE

BY STATES

State	Passenger cars	Population (1920 census)	Population per car
California	803,710	3,426,861	4.3
Iowa	468,099	2,404,021	5.1
Michigan	518,558	3,668,412	7.0
Indiana	415,000	2,930,390	7.0
Ohio	741,000	5,759,384	7.7
Illinois	686,466	6,485,280	9.5
Texas	470,000	4,663,228	9.9
Pennsylvania	763,916	8,720,017	11.3
New York	779,964	10,385,227	13.0

Total U. S. Registrations (1922) 12,357,376

Population of U. S. (1920 Census) 105,710,610

Population Per Car in U. S. 8.7

And this of the industry which, even in the recollection of young men of today, was once a laughing stock, the producer of "devil-wagons," the victim of "get a horse!"—in 20 years from a wild, visionary dream to an enormous reality, even to the third greatest industrial activity in the history of the world!

The actual growth of the industry has been pictured many times: In 1913, 480,000 cars; in 1916, twice as many; in 1922, nearly six times as many; in 1923, ?

What the Companies Are Doing

Sharing in the benefits accorded by this industrial Golden Goose is a great multitude of companies—tire manufacturers, motor manufacturers, parts manufacturers, accessory manufacturers, new material producers and dealers and what not.

Among the makers of the cars themselves, the growth of the industry has, naturally, led to great expansion. Today, these companies are operating at the heaviest rate in their history, maintaining the enormous pace that was established in the closing months last year. Ford Motor—the original American company, that is, is operating at a rate which will mean a production of a million and a half cars this year, if the present market holds up. General Motors, with its far-flung manufacturing organization, its strong financing machinery and well-established lines—may produce 530,000. Studebaker, which astounded its own organization with a production of close to 110,000 cars last year, is "turning 'em out" at a 150,000-a-year clip today. Dodge, Hudson, Hupp, Maxwell, Durant and Packard—their production schedules are all at top notch.

Where Will It End?

Where will it end? Ah, that's the question! After last year's experience, when the industry overturned the predictions of its own economists by scoring a banner year, observers are less prone to forecast the future. Those who are pessimistic point to the handwriting, "One car now for every *nine* persons in the country!" and wag their heads gloomingly. Those

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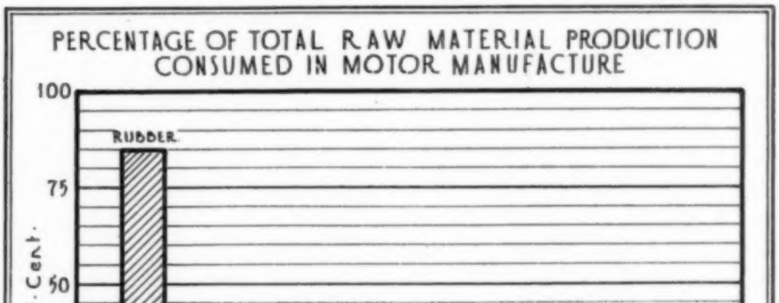

How Will Higher Prices Affect Trade?

Is Another Buyers' Strike Threatening?—The Growth of the Chain-Store Idea

By MARTIN DODGE

Manager Industrial Bureau Merchants' Association of New York

WHAT is the interval between a buyer's strike and record retail sales? Not a long space of time apparently—in fact, only a few months more than between a labor shortage and a national unemployment conference.

If a child now four years old could comprehend the economic history of his brief life, what radical changes would he have seen. A nation-wide campaign for production — Staggering prices — Widespread charges of profiteering—A sharp decline in sales—Business stagnation—Bread lines and unemployment—Quickened industry—Demands for immigrant labor — Unprecedented Christmas shopping!

With such cyclic changes scarcely out of the stage of newspaper headlines, predictions as to what 1923 and 1924 hold in the way of business prosperity are dangerously speculative. All that can be said is that the curve is now apparently upward. Production is increasing, wages are increasing, prices are beginning to increase and, if the records of the past month may be taken as an indication, sales are most certainly increasing.

Some Interesting Comparisons

This year's holiday trade outdistanced that of every other Christmas season by such a margin that it has been a matter of public comment by merchants and business journals throughout the country. Department store sales for December in New York City and vicinity, according to incomplete returns, were 10% above those for the highest previous month. Sales by one of the country's largest mail order houses were 42% above those for December, 1921, and considerably higher than for December, 1919, the highest previous month in mail order house history. The total sales of this same house for the year 1922 were 22% above 1921.

These figures are even more significant in view of the fact that prices during the year have been measurably lower than for several years past, and that, therefore, the actual volume of merchandise turned over was considerably more than shown by the dollars and cents comparison.

Price reductions, in fact, in conjunction with steadier employment and, in some instances, wage advances, were probably responsible for the increased volume of business. The tendency to rising retail prices which has recently appeared, has perhaps stimulated buying without adding to costs sufficiently to become a burden.

In this connection the cost of living figures of the Bureau of Labor Statistics and the National Industrial Conference Board are pertinent. The relation between cost of living as shown by these reports and wages is sufficiently favorable to the wage earner to encourage buying. Although wages in many lines were materially reduced during the period of depression, many other lines maintained practically war-time wage scales, and in various instances cuts, where they did occur, have now been partly if not entirely restored. In a few lines, notably the construction industry, wages due to bonuses and overtime work are higher than ever before in the history of the country.

". . . tremendous over-expansion of industry and subsequent piling up of stocks does not seem likely. Complaints are current that industrial expansion is already being hampered by a shortage of labor. Although this talk is in part propaganda for freer immigration and cheaper labor, it doubtless has some basis in fact. Moreover, we are not yet far enough removed from the troublous days of the post-war decline so that manufacturers are losing their heads over the prospects of a boom. The industrialist today is a sober man looking carefully before he leaps. Having so very recently suffered from poor business, he is inclined not to spoil good business by overdoing it."

The increase in industrial activity and rise in wages now evident are doubtless adding to the general purchasing power of the public at the present time. Much of this money will, of course, be spent immediately in retail trade. Ordinarily, the effect would be to boost prices. The result under present conditions is problematical. Although foreign trade may absorb some of our manufactured surplus, it probably will not keep pace with the increasing production which is now on foot. **This means that a shortage of manufactured goods and consequent depletion of stocks on the shelves of retail dealers is not an imminent probability and that therefore the retailer will have difficulty in shooting prices skyward.**

On the other hand, tremendous over-expansion of industry and subsequent piling up of surplus stocks, does not seem likely. Complaints are current that industrial expansion is already being hampered by a shortage of labor. Although this talk is in part propaganda for freer immigration and cheaper labor, it doubtless has some basis in fact. Moreover, we are not yet far enough removed from the troublous days of the post-war decline so that manufacturers are losing their heads over the prospects of a boom. The industrialist today is a sober man looking carefully before he leaps. Having so recently suffered from very poor business, he is inclined not to spoil good business by overdoing it.

Another Steadying Influence

Another factor which is apt to have a steadying effect upon developments, is the attitude of the buying public. Recent economic changes have been so rapid and so much discussed that the public has become economics-wise as it never was before. Already hints are appearing that the consumer will register his disapproval of rising prices by a refusal to buy. The wage-earning public is becoming especially alert and anxious not to further any price movement which will revert to its own disadvantage. A certain relationship is seen between the era of silk shirts, the distress of unemployment and present stock dividend distributions, which is not conducive to another buying orgy.

As a matter of fact, however, retail prices have not yet risen sufficiently to have much effect upon the cost of living. The Bureau of Labor Statistics Index Number for the cost of living in New York City, for instance, stands today only slightly above where it was last spring and summer, and is still well below the December, 1921, figure. Fuel and light are somewhat more expensive as a result of the coal strike; prices of certain articles have been boosted by retailers in anticipation of the effects of the new tariff, and seasonal advances have occurred in certain food products. The latest releases from the United States Department of Labor in fact show that food prices in forty-seven out of a total of fifty-one cities increased from October 15 to November 15. The total effect of

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Industrials

Essentials in Stock Investment

What to Look for in Your Securities Purchases—Sources of Information—The Final Decision

By HARVEY WELLS

ANYONE whose work brings him into frequent contact with investors is often driven to ask himself, "What does the investor think of when he is investing?" He finds elderly maiden ladies guilelessly buying stocks that the most hardened speculator touches only with fear and trembling, and well-to-do business men whose notion of conservatism in the handling of their investment funds is to put all their money into bonds and let it go at that. The trouble seems to be that few people ever ask themselves the two fundamental questions of scientific investing, "What are my requirements as an investor?", and "Does this particular security fulfill these requirements?"

Perhaps it would help the average or unscientific investor if he conceived of all possible investment securities as arranged in a series according to two factors, security of income and possibilities of market profit. To some extent every stock has both features, but some have more of one and others more of the other. At one end of the series would be a stock like U. S. Steel preferred, on which one does not hope for great market profits, but whose dividends are what one would call very well secured; at the other, a new oil promotion, which may or may not be sold at a profit, but whose dividends are anything but secure. In between are the majority of stocks, the income from which is more or less safe and which offer more or less opportunity for speculative profit.

An Important Question

One of the first things an investor should ask himself is, "Whereabouts in this series does the particular kind of stock stand that I want to invest in?" Evidently this is entirely a matter of one's personal financial situation. It depends on what other kinds of investment one already has, what other resources of income are available, in short, on how well protected one is against risk in the particular commitment under consideration. A professional man drawing a good income from his practice, with every outlook for a continuance of satisfactory earnings for a long time to come, and provided with a good back-log in the form of an investment fund of high-grade bonds and preferred stocks, can go further toward the "Profit" end of our imaginary series than a widow, let us say, living entirely on a small investment fund, who is wondering how to invest the proceeds of some windfall, and should choose her investment close to the "Safe Income" end of the series. The ideal stock purchase is one that combines both factors in high degree, that is, has good opportunities for profit and is also fairly safe as to income. Desirable as this ideal may be, however, it is not often attained, and the average investor would do much better to concentrate on the idea of fixing in advance of his purchase what degree of risk he is willing to assume in consideration of a given possibility of profit.

The question of yields is of course of the greatest importance, but yield alone is often a misleading guide. Buying a stock for the sake of a high yield is really equivalent to buying for the sake of market profits, because if a stock is selling on a high yield basis it is because there is more speculative risk, hence the possibility of more speculative profit, than in the case of a low-yield stock. But this must not be taken to mean that low yield in itself means that a stock is a very high-grade investment, because it may often happen during a bull market that stocks are driven up to price levels at which their yields are very low. This does not make them any the better investments, however. In the same way, it may happen that an intrinsically high-grade investment stock is selling out of line with other stocks in its class, so that its yield is exceptionally high, and it then becomes all the more attractive.

With the reservation, therefore, that yield alone must not be considered in fixing the investment status of a stock, we may say that in general the higher the investment standing of a stock, the lower its yield, and vice versa. The next step for the prospective investor, then, after having determined more or less how much to risk he or she is in a position to assume, is to find out what is the general range of the yield of stocks in this particular class, and to choose a stock from this group.

The first question that comes up is, what sources of information to rely on for the purposes of this selection. The two most common methods of procedure are both very dangerous. One is to listen to tips, by word of mouth or in print, tips being defined as investment suggestions made by persons not qualified to give them by reason of knowledge of their subject. Human beings in general are easily influenced by suggestion and imitation, especially with so powerful a motive as the desire to make or conserve money to back them up, and when so influenced as a rule do not take a very critical attitude toward such suggestions. This often results in hasty and ill-considered action. Hence in general we can say that one should avoid as sources of information or suggestion the advice of persons whom one does not know to be thoroughly quali-

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Don'ts and Do's for Investors:

DON'T

Buy professional traders' stocks if you are a school teacher, or stick to farm mortgages if you are a well-established business man.

Think that because a man talks a good deal about Wall Street that he is qualified to guide your investment career.

Believe that the newspapers are a supplement to the Gospel.

Spend ten minutes in picking a stock that you may hold for ten years.

DO

Find out the essentials about the industry you want to buy into.

Get the fundamental facts about the stock you want to buy into.

Take your time in making up your mind.

Ask someone who really knows and is reliable, if you don't want to do the necessary investigation yourself.

Inflated Securities

When Is a Stock Inflated?—Market Letters vs. Annual Reports—Some Examples of Misplaced Confidence

By MARTIN GOLDEN

SOMETHING THAT INVESTORS SHOULD KNOW

"The main points to be remembered are: that determining when and whether stocks are too high is one of the most important features of the science of investment; that the position of stocks should always be checked up with the position of the market as a whole; that two valuable indices are the yield and percentage of earnings to market price; and that any given stock should be compared with others more or less in the same class to determine if it is not relatively, if not absolutely, selling too high."

KNOWING when stocks are too high is the second half of the wisdom of Wall Street, just as knowing when they are too low is the first half. It is also by all odds the more difficult and more important half, for it alone can conserve profits and often prevent them from turning into losses. Buying stocks when they are too low is the first step in making profits; selling them out when they are too high is the next step.

While many a trader and investor will agree in theory that when a stock can be recognized as too high, it should be ruthlessly sold out, if held on the long side, yet there are relatively few who act on this sound rule. There are too many psychological obstacles in the way. If one is in on the upward move at a low point, there is a strong temptation to let the profits run, without stopping to consider that they may not only run out of sight, but actually run into a loss. If, on the other hand, one has been misled through tips or rumors or enthusiastic market letters into buying some stock near the high point, and realizes before the down swing has commenced for good that the commitment was a serious mistake, it often requires all the courage and will-power one can summon up to act energetically and prevent further loss by selling out, instead of leaning back and praying for rain.

Danger of Postponing Action

There is a great tendency, therefore, to postpone decisive action, often until it is too late, and in the meanwhile disguise the true state of affairs from oneself by means of such phrases as "A stock may have a bottom at zero, but it has no top," or "You never can tell when the top is reached," and the like. It is, accordingly, very important at the beginning of a long commitment to make quite sure as to what one is going to consider proper signals indicating that the top has been reached and that it is time to get out.

In the first place, the action and outlook of the general market should be taken into consideration in deciding on the position of any given stock; in all cases this should be given great weight, and in many it will serve alone as a sufficient guide to correct action. The signs of the approach of the top of a bull market are many; they are not always found together, but the presence of a considerable number of them is to be taken as a danger sign reading unmistakably, "Get out!"

Among these signs are: bullish enthusiasm lasting one and a half to two years; great increases in the volume of transactions over several weeks, leading to series of million-share days; the appearance among the active stocks of obscure, normally inactive stocks, specialties and generally "cats and dogs"; a scarcity of money, leading to high time and call money rates; widespread public participation, accompanied by the publication of nothing but favorable news and roseate predictions; great extension of bank loans without corresponding expansion of deposits; and generally, a feeling that the market is "going through the roof" and that business is going to be good forever.

Comparisons Valuable

Wholly apart from the market, however, a stock should be compared, where possible, with similar stocks to determine if it is selling out of line with them. The yield on the current dividend rate is an invaluable test. Where the yield is unusually low, one should ask, "What is the possibility that the current dividend rate will be increased?" "How does the yield on this stock (assuming it is a common stock) compare with that on a well-secured investment common stock like Pennsylvania or Telephone?" "How does it compare with the preferred stock of the same company"

It is evident that to answer such questions at all accurately one must have a knowledge of the earnings of the company whose stock is under consideration. One of the best ways of comparing a number of stocks to see which is selling the highest, compared with its intrinsic worth, is to figure out the percentage of estimated earnings per share on the market price. While no hard and fast rules can be given, it may safely be said that when a stock is earning less than 8 or 9 per cent. of its market price it is selling too high, unless there is good reason to believe that earnings will be high and continue high in subsequent years.

In the same way, the other criteria for the desirability of a stock can be used with reference to these three fundamentals: the market position, the yield, and the relation of earning power to market price. For instance, a stock whose earnings and dividend record shows wide fluctuations should show normally a higher yield and higher percentage of earnings to price than a steady-going stock, so that the danger-point would be reached earlier in such a stock than in one of the latter type. In the same way, allowance should be made for differences in strength of financial position, for character of management, nature and outlook of industry, nature and amount of capitalization, presence or absence of good-will, etc., vulnerable inventory accounts, and soforth.

The main points to be remembered are: that determining when and whether stocks are too high is one of the most important features of the science of investment; that the position of stocks should always be checked up with the position of the market as a whole; that two valuable indices are the yield and the percentage of earnings to market price; and that any given stock should be compared with others more or less in the same class to determine if it is not relatively, if not absolutely, selling too high.

With these tests in mind, let us examine several securities which would seem to be either too high or at least high enough to warrant holders of long stock in selling out.

CHICAGO PNEUMATIC TOOL CO.

This stock is generally regarded as being closely bound up with the prosperity of the railway equipment industry, and hence marketwise has followed the boom in equipment stocks. A good deal of its business, however, is done in other fields, such as mining and building construction, which are not expected to do relatively as well as the equipments.

The company was incorporated in 1901 as a consolidation of seven machinery companies, with factories in Canada, Scotland and Germany as well as two in the United States. At that time the capitalization consisted of 64,858 shares of common stock of $100 par value, and 2½ millions of first mortgage bonds, due 1921. In 1918 the funded debt was increased to 3¼ millions, and in 1920 the whole bonded debt was discharged, the company doubling its capital stock by selling for cash an amount of stock equal to that already outstanding, so that at the present time the capitalization consists of nothing but 12.3 millions of common stock.

The great trouble with the company has been the excessive growth of its inventory account. In 1915 the company had 2.1

millions of inventory, while its gross operating income was less than a million; at the end of 1920 inventory had gone up to 8.4 millions while operating income had increased only to 2.3 millions. This increase in inventory appears to have been financed at first through bank loans, which later were funded, while the bonds were then redeemed by means of money raised through the sale of stock. As inventory was still being carried at 8.1 millions at the end of 1921, it is fair to assume that the great losses which must have been sustained through inventory depreciation were not written off, so that fundamentally a large part of the common stock now outstanding represents inventory values which have since disappeared.

Before the war the company was a fairly steady earner, making annually from $6 to $8 a share on the old capitalization. From 1916 to 1920, earnings increased under the stimulus of the war and post-war boom, average earnings after all sorts of deductions being $13 a share on the old capitalization. Dividends were steadily increased from $3 a share in 1910 to $6 in 1919, while in 1920 the peak of $8 a share was reached. In 1921, the quarterly dividend was reduced to $1, which rate has since been maintained. In that year earnings were only 91 cents a share, so that the company had to dip rather deeply into surplus to maintain the $4 rate, and it is probable that the rate was maintained only with difficulty during 1922, when $2.86 was shown earned on the common in the first three quarters.

Apart from inventories, the financial position of the company has never been very bright. At the end of 1921, for instance, there were 9.7 millions of current assets, of which 8.1 were inventories, to 1.4 millions of current liabilities, of which notes payable constituted over a million. Cash amounted to about a half million, while accounts and notes receivable totalled a million, or about enough to pay off bank loans.

The trade outlook for this type of machinery indicates some improvement, but very little, over the last half of 1922. This being so, there seems little reason for current price levels around 85 for a $4 stock, giving a yield of 4.71%, unless it were an absolute certainty that the rate could be raised to $6 annually in the very near future, which does not seem to be the case.

HOUSTON OIL CO.

Because of the complicated nature of some of its financial arrangements, the stock of this company has been for several years a football of speculation, and has therefore from time to time sold well above its intrinsic value on account of rumors of unusually favorable developments pending. It was formed in 1901 to exploit nearly a million acres of oil land in Texas and Louisiana, and has since added smaller acreages in Oklahoma and Arkansas. It also owned considerable stands of yellow pine on its original land holdings, of which it sold 8 billion feet for 38.3 millions on a contract assigned to the Kirby Lumber Co. This contract has been the subject of considerable litigation, settled in 1921 by the turning over to the Houston Oil Co. of 3 millions of 7% notes by the Kirby Lumber Co., of which $300,000 are to be redeemed annually. Since 1915 part of the oil exploitation has been carried on through an unincorporated trust known as the Southwestern Settlement and Development Co., which turns over part of its earnings to the Houston Oil Co.

Another complication was introduced through a readjustment plan in 1912 to fund accumulated dividends on the preferred stock, then amounting to 54%. This was done through the issue of new preferred stock, accrued dividend certificates bearing interest, to the amount of 2.1 millions, of which 1.4 millions had been redeemed by last year, 6.6 millions of timber certificates extinguished by 1920, and issue of new common stock on payment of a small assessment.

After all these changes, the present capitalization consists of $755,000 of the 6% accrued dividend certificates still outstanding, 8.9 millions of 6% cumulative preferred, and 24.9 millions of common of $100 par.

As has been suggested, the complicated situation of the company and the possibility of sudden favorable developments for the common have caused the latter to sell at prices which seem far too high in consideration of the earnings. No dividends have been paid on the common in 12 years, though preferred dividends have been maintained at 6% since the readjustment in 1912.

Estimated earnings for 1922, based on reports for the first three quarters, after deduction for depreciation and depletion and with allowance for sinking fund and interest payments on the 3 millions of Kirby Lumber notes, should be about $5 a share, a higher dividend than has been shown for many years. At the present rate of operation of the sinking fund, these notes should be extinguished in about eight years, while the interest payments continually decrease, so that "other income" from this source will gradually decline. Earnings from the oil business alone are estimated for 1922 at somewhat over $3 a share.

The last balance-sheet available, for Dec. 31, 1921, showed working capital of less than $6 a share, while surplus was carried at $12 a share, indicating a financial position none to strong. **Under these circumstances it is difficult to see the justification for the present price around 74, which should pay a $5 dividend at the very least to be with the price.**

REPUBLIC IRON AND STEEL CO.

This stock has been selling at high levels for years on the basis of its brilliant war record, which it shared with all other steel companies, while its showing before the war and since the onset of deflation has been worse than mediocre. It was founded in 1899, as a consolidation of a large number of iron and steel works scattered over the eastern half of the country. Since organization efforts have been made to concentrate production by the elimination of the less efficient plants and by gradually turning from the production of iron to the production of steel half-products, although the older lines of business have been partially retained.

The capitalization consists of 12.5 millions of sinking fund 5% mortgage bonds, and a total of $853,000 of subsidiaries' bonds. There are also outstanding 25 millions of 7% preferred and 30 millions of common of $100 par. Compared with other steel companies, Republic shows a high proportion of capitalization to productive capacity, so that earnings have to be

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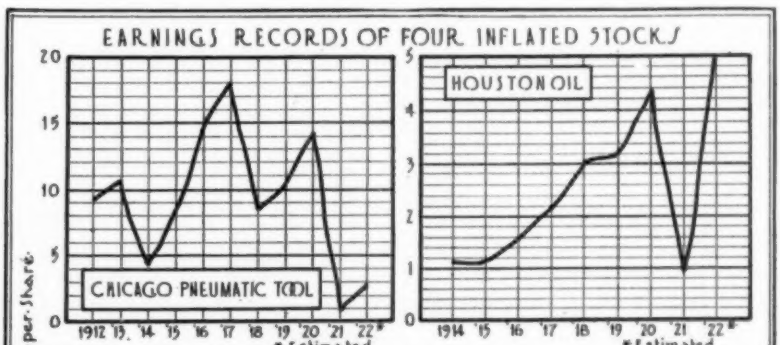


American Bosch Magneto Corp.

Litigation a Factor

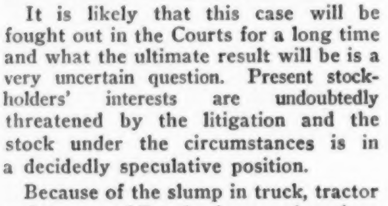
Famous Sale of Company by Alien Property Custodian Still a Matter of Dispute

By FREDERICK LEWIS

IN considering the possibilities of American Bosch Magneto it is important to give due weight to the litigation resulting from the taking over of the property from its original owners by the Alien Property Custodian and its sale in December 7, 1918, for $4,150,000. In a suit filed in the Supreme Court in White Plains, N. Y., on October 26, 1922, by Albert Klein, a resident of Germany, dissolution of the company, restoration of its control to the pre-war owners, and damages of 2 millions were asked. It is claimed that the company was illegally sold and at a price little more than a quarter of the appraised value of the property. On November 17, 1922, a Special Grand Jury of the District of Columbia adjudged the sale of the Bosch Magneto Co. by former Alien Property Custodian Garvan as fraudulent. As the sale took place outside the jurisdiction of the District of Columbia prosecution of the case has been brought in New York.

It is likely that this case will be fought out in the Courts for a long time and what the ultimate result will be is a very uncertain question. Present stockholders' interests are undoubtedly threatened by the litigation and the stock under the circumstances is in a decidedly speculative position.

Because of the slump in truck, tractor and automobile business, American Bosch Magneto, which applies the bulk of magneto equipment for all three industries, was obliged to curtail activities for 1921 and gross business fell to 25% of 1920 total. Including inventory adjustments, dividends and write-offs for experiments and research work there was a deficit for the year of about 2 millions. This is the only year in which the company operated at a loss, earnings in 1920 being equivalent to $15 a share on the 96,000 shares of no par value outstanding, comparing with $10 a share in 1919.



Improvement in 1922 Earnings

While no official figures of earnings in 1922 are available a good showing is anticipated as operations have been on a favorable basis. Unfilled orders January 1, 1922, were 8½ millions compared with 6.3 millions January 1, 1921, and despite substantial shipments throughout the year were something over 9 millions at its close.

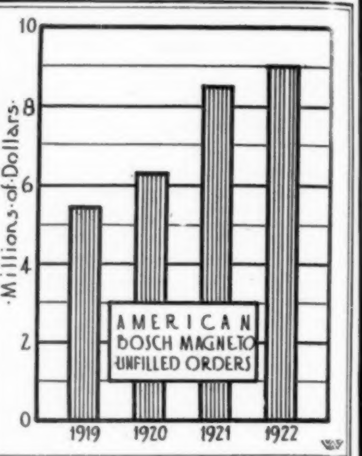
A very favorable development for the company has been the manufacture of starting and lighting and battery ignition equipment which has actually doubled the selling possibilities of the company. It is estimated that the gross business in this branch of the company's business alone, in 1923, should be as large as that of the entire company prior to 1919.

Financial Position

Through the sale in June, 1921, of $2,500,000 8% notes due 1936 the company placed itself in good financial condition and at the present time banks loans are under a million with ratio of current assets to current liabilities nearly 5 to 1.

In August, 1920, the company entered into a sales contract with Gray & Davis, Inc., under which contract the Bosch Company became the sales agent for the products of the Gray & Davis Cambridge plant. Under this contract the Bosch Company receives a commission of 10% on the sale of all apparatus to manufacturers. Coincident with the taking over of this selling contract the latter company assumed control of the manufacturing operations at the plants of the former.

As of December 31, 1921, the net assets of the company, excluding patents and tracings, applicable to the 96,000 shares of stock outstanding were equal to $56.46 a share. This is after deducting the $2,500,000 8% notes outstanding and all other liabilities. It can be seen, therefore, that there is good value behind the shares.



The stock has had a very meteoric career since it was listed on the New York Stock Exchange in May, 1919. The range in that year was 84½ low and 143⅞ high. In 1920, the range was 45⅛ to 128¾, in 1921, 29⅛ to 65½, and in 1922, 31¼ to 49. At present levels of 39 the stock, therefore, is not selling far from its lowest levels, in spite of the prosperity of the automobile accessory group in 1922, and the fact that American Bosch Magneto Co. undoubtedly joined in this prosperity to a considerable degree.

With a demonstrated earning power over a long period of years, a low capitalization, sound financial condition and a growing business the stock at present levels would appear to have very attractive speculative possibilities were it not for the litigation resulting from the taking over of the property from its original owners and its sale by the Alien Property Custodian. The price of the stock undoubtedly reflects a certain amount of apprehension by the investing public as to what the outcome will be. Under these circumstances it does not seem advisable to purchase the stock, as it is seldom advisable to buy into a law suit. In the case of stockholders who are tied up in the stock at higher levels it is largely a question of whether or not they are willing to assume a considerable degree of risk in the hope of being able to sell out to better advantage at some future time. Should the litigation not result in unfavorable developments to stockholders there would appear to be very good possibilities of the stock ultimately selling at materially higher levels.

Pullman Company

Is Pullman's Dividend Safe?

Two Sources of Earnings—Financial Position of Company—Outlook for the Stock

By FRED L. KURR

PULLMAN COMPANY is one of the oldest industrial companies and has a remarkable record as a consistent earner over a long period of years. Since 1874, dividends have been paid without interruption and in only one year, 1899, has the rate fallen below 8%. As a result of this splendid record the stock in the past has had a very high investment standing and up to 1917, excepting the panic of 1907, did not sell at a price to yield over 5½%, the average price range indeed giving a yield of from 5 to 5½%.

In the year ended July 31, 1921, for the first time in over 20 years, Pullman failed to earn the 8% dividend on its stock, the net profit for that year being 5.10%. In the year ended July 31, 1922, only 3.16% was earned. This falling off in earnings naturally lessened the confidence of investors in the company and in both 1920 and 1921 the stock broke below 100, a very drastic decline for a security that has many times crossed the 200 mark. The important question to decide is whether this decline in earnings has been due to unusual conditions not expected to continue or whether the company is really on the down grade and not likely to recover its old earning power.

Income of the Pullman Company comes from two sources, the operation of Pullman cars and from its manufacturing department. It is in the earnings from car operations that the large falling off occurred. The most important factor contributing to this decline in earnings was the 50% surcharge on Pullman rates and the 20% increase in Pullman fares. The 50% surcharge all goes to the railroads and of the 20% increase in fares Pullman only receives 10%. These increases were greater than the traffic would bear and as a result in 1921 and 1922 gross receipts were considerably under those of 1920 in spite of the 10% increase received by Pullman. It can readily be seen, therefore, that the falling off in earnings from this end of the company's business has not in any way been due to inefficient management, the company has been a victim of circumstances. Lower rates and a fairer division with the roads would of course rectify this condition but whether the company will succeed in more liberal treatment is a question for the future to decide. However, even though no help is given the company along these lines a better showing can be anticipated because of natural increase in passenger travel through the country, which in the last two fiscal years of the company was subnormal.

EARNINGS OF PULLMAN'S MANUFACTURING PROPERTIES

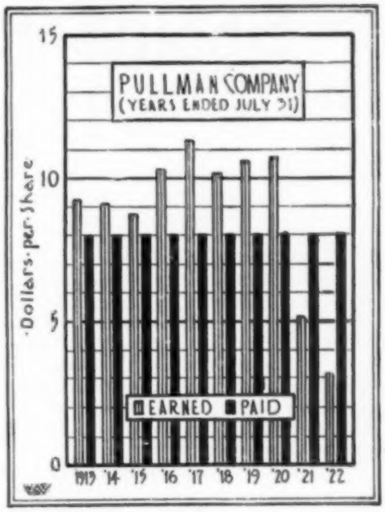
	Haskell & Barker	Pullman
1917	$829,618	$1,720,255
1918	2,340,860	3,216,720
1919	3,936,917	3,689,936
1920	3,127,653	2,769,777
1921	3,278,319	5,947,182

Combined annual average $6,171,447, equal to $4.44 a share on Pullman's stock now outstanding.

Manufacturing Profits

In the manufacturing end of the company's business the story has been a very different one as in the past several years substantial progress has been made. In 1916, profits from this source were less than a million dollars, whereas in 1921 a new high of close to 6 millions was reached. As a matter of fact, the 5.1% earned on Pullman stock in 1921 all came from the manufacturing end as the returns from car operations, after charging off depreciation, showed a small loss. In the year ended July 31, 1922, which covered a period unusually poor for the equipment industry, earnings from this source totalled nearly 4 millions, Haskell & Barker earnings being included for only 6½ months. In this year also, practically no income was received from car operations after allowing for depreciation.

It would appear from the above that the best prospects for the future lie in the manufacturing end of Pullman's business. In January 1922, the Haskell & Barker Car Co. was taken over, the purchase terms providing for the delivery to Haskell & Barker 165,000 shares of Pullman stock. This increased the outstanding stock of the latter from 120 to 135 millions, the balance of the stock having been purchased by Pullman in the market. In the accompanying table is shown the earnings of Haskell & Barker and the manufacturing branch of Pullman for the years 1917-1921 inclusive. The combined annual average for the five years is equal to $4.44 a share on Pullman's present outstanding stock. With the economies anticipated through the merger larger earnings in the future can confidently be anticipated and it is not at all improbable that in time this business will show sufficient profits to cover the 8% dividend on the stock so that earnings from car operations will be all velvet. In 1921 earnings of these plants



exceeded 9 millions, which compares with present dividend requirements of 10½ millions.

Under normal conditions in the past, Pullman was able to show earnings in excess of 10 millions from car operations, after very liberal allowance for depreciation. It is a decidedly conservative estimate that in the future the company should be able to show at least half this earning power over a period of years. This combined with the average earning power of the manufacturing plants as shown in the years 1917-1921 brings total earning power of the company well in excess of present dividend requirements, allowing for no increase in earnings of the manufacturing plants. Under these circumstances it would appear that the present dividend of 8% is quite secure especially as the company is in unusually strong financial condition.

Balance sheet of Pullman (including Haskell & Barker) as of July 31, 1922, shows cash and Government securities of 38 millions and in addition holdings of stocks, bonds and car trust notes of a market value in excess of 20 millions. Against this were current liabilities of less than 18 millions. The company can well afford, therefore, to pay out the larger part of earnings in dividends and to dip into surplus when unusual conditions result in the dividend not being fully earned.

There have been reports from time to time that Pullman will organize two companies, one to take over the construction department and car building and the other the operating of rolling stock. There is nothing definite in regard to this at the present time, but it is possible that something may be done along these lines in the future to remove the company's car building and construction works from the jurisdiction of the Interstate Commerce Commission.

At present levels of 130 the stock yields 6.2%. While the present dividend rate appears secure no increase is to be anticipated in the near future. The stock appears to be selling high enough as an 8% payer and under unfavorable market conditions may decline to lower levels.

Should Tire Stocks Sell Higher?

Position of the Tire Industry and Outlook for the Leading Companies—Has Depression Ended?

By JOHN MORROW

EXECUTIVES of the rubber companies express themselves optimistically over the 1923 prospects, and estimates have been made that 40 million tires will be needed this year to provide for the needs of automobiles. Some executives go so far as to predict an output of more than 50 million tires. In short, the more conservative estimate indicates an increase of at least 10% over the 1922 output and the more optimistic, an increase of over 30%.

At the beginning of the year the tire industry had a surplus of about 5 million tires which is a little larger than the surplus at the beginning of 1922. It will be recalled that tire manufacturers were quite optimistic at the beginning of 1922 and entered into a program of large production. By the middle of the year, overproduction had seized the industry and rather severe price cutting followed. The last part of 1922, however, saw relative stabilization and shortly after the beginning of 1923, increases of from 10 to 12% in tire prices were announced.

Crude rubber is selling in the neighborhood of 32c. a pound against a low of 13c. last summer, and, as is well known, cotton has had a big advance from the 1922 lows. At this time a year ago, tire companies were in possession of high-priced inventories, the bulk of which was worked off during the first half of the year. These companies which bought freely last summer, are now in an excellent inventory position.

The position of the shares of the principal companies whose securities are listed on the New York Stock Exchange follows:

U. S. Rubber

Common Shares Still in Speculative Position

THE financial and stock-market history of the U. S. Rubber Company have been closely related, as the common stock has been quite a favorite speculative medium and usually has been an outstanding feature when the tire stocks were the object of concentrated speculative attention.

On a capitalization of less than half the present capitalization, U. S. Rubber did relatively well in the years just prior to the great war and, beginning in 1915 and through 1920, did very well. In 1915, bonded debt was 16.5 millions; in 1920 it was 84 millions; in 1915, the amount of preferred stock was 59.7 millions; in 1920, it was 65 millions; in 1915, common stock amounted to 36 millions; in 1920, to 81 millions. Business had expanded so tremendously in the six years that naturally additional working capital and facilities were needed; consequently, the company did considerable financing and, in addition, disbursed a dividend of 12½% in February, 1920, payable in common stock. So long as business was on the increase the company was able to make a substantial showing, even though capitalization had been more than doubled. Came the slump of 1921, however, and a deficit of 6.5 millions was recorded in the income account, and profit and loss surplus was debited over 10 millions more on account of inventory adjustment. Dividends on the common stock were suspended in April, 1921.

In the spring of 1922, it was announced that business was improving and in the six months to June 30th of that year, earnings on common stock were 19c. a share. The official returns for the whole 1922 year are not yet available, but it is estimated the company may have earned $2 a share after bond interest and after dividends upon the 8% preferred stock.

Question as to Capitalization

It is naturally unfair to lay too much emphasis upon the large increase in capitalization since 1915. There is little or no doubt that in the last seven years the earnings base has widened largely. For example, there is no comparison between the automobiles in use in 1915 and the number in use now. Therefore, although U. S. Rubber must do a much larger volume of business in order to earn a substantial surplus on the common stock than was necessary back in 1915, it must be admitted that the possibility for doing such a volume of business are much larger than they were seven years ago.

The company has an issue of 7½% secured notes, due 1930, which are secured by the deposit of the first and refunding bonds and which are in the class of a good business man's investment. The main bond issue is the first and refunding 5% mortgage, due 1947. This is entitled to a good investment rating.

Dividends on the 8% preferred have been paid regularly. The issue, however, is non-cumulative and this, over a period, is likely to bring down the average selling price by several points. **The stock is now selling not far above par and at that level is an excellent semi-investment commitment.**

The common stock is not on the bargain counter; the future trend is largely to be governed by evidence of further improvement in the tire industry. **The shares seem to have discounted the improvement registered to date.**

B. F. Goodrich & Co.

Outlook for Its Securities

IN the two years ended December 31, 1921, Goodrich absorbed a loss of 26 million dollars after allowing for a write-off on raw materials and deductions for preferred and common dividends paid in these two years but prior to income taxes. Profit and loss surplus at the end of 1921 had been reduced to $194,000, whereas the account had stood at almost 48 millions at the end of 1919. For the sake of an accurate record, it may be mentioned that the 1921 accounting showed a credit to profit and loss account of 10 millions, which was the reserve at December 31, 1920, for contingencies and losses on raw material contracts. This credit made the bookkeeping profit and loss surplus slightly above 10 millions.

Lest it is thought that there is here too much detail and too much repetition of the financial positions of the tire companies under discussion, it might be em-

THE TIRE COMPANIES

	Earnings Per Share								Cash Dividends Paid						
	1916	1917	1918	1919	1920	1921	1922		1916	1917	1918	1919	1920	1921	1922
U. S. Rubber	$17.75	$28.80	$30.8	$24.1	$19.7	def.	$2.00	(Est.)	.....	.....	.....	$4.00	$8.00	$2.00	None
Goodrich	12.7	14.5	25.6	25.1	0.04	def.	7.00	(on pfd)	$4.00	$4.00	$4.00	4.00	6.00	1.50	None
Kelly Springfield	9.2	9.6	7.27	11.23	4.75	def.	4.00	(Est.)	3.75	4.00	4.00	4.00	4.00	1.00	None
Fisk	2.9	5.2	4.10	5.90	1.50	def.	1.00	(Est.)	.....	.....	.....	.....	2.25	.....	None
Lee	0.23	2.03	3.15	2.18	0.06	def.	2.50	(Est.)	2.25	.....	.....	.....	1.50	2.00	$2.00
Ajax	.....	10.25	8.55	12.50	def.	def.	1.00	(Est.)	5.00	5.00	6.00	6.00	5.50	.....	None

phasized that net earning power practically disappeared through 1920 and 1921; added to this was the fact that there had been a tremendous expansion in the rubber industry during the war boom and, therefore, when the deflation period came, the crash reverberated more loudly than with many other of the country's big industries.

Goodrich had accumulated a bills payable account of 29 million dollars by 1920 and to fund this, sold 30 millions in five-year 7% notes. In October, 1922, the company called the notes for payment, financing the redemption by the issuance of 30 millions in 6½% first mortgage bonds, due 1947, and redeemable at 107 on sixty days notice.

In the first six months of 1922, sales were 39 million dollars, or at the annual rate of 78 millions, indicating a volume of business smaller than at any year since 1916. There are no available figures to show the sales for the second half of 1922. The net result of the earnings for the first half of 1922 was to show the preferred dividend just about earned. Incidentally payments, at the rate of 7% a year on the preferred, have been regularly met all through the business readjustment period. There is no gainsaying the fact that Goodrich suffered most severely in 1920 and 1921, but the company met the situation without glossing over actualities and on its new base ought to be in a position to benefit to the fullest extent from the improvement that is this year anticipated.

Conclusion

The market action of the 7% preferred which has reached a level of around 90 after selling as low as 79½ last year, suggests growing confidence in the ability of the company not only to continue the payments of the dividends, but to earn them with an adequate margin to spare. **Dividends on this preferred stock have been paid regularly since the company was organized in 1912 and, while investment standing has suffered during the last two years, the road to restoration of this investment standing is much clearer than it was a year or even six months ago.**

The first mortgage 6½% bonds, due 1947, at the present writing, are selling between 101 and 102, where the direct income return is substantially over 6%. They are a legitimate business man's investment and an attractive bond at present levels. It may be admitted that the tire business is subject to rather severe fluctuations and that there is less stability than might be desired, but Goodrich is one of the strongest companies fundamentally and, with a little more seasoning, the 6½s ought to improve investment standing.

The common stock paid dividends from 1916 to 1921. There is no present thought of dividend resumption on the junior shares, but selling under 40, they present a rather attractive opportunity for any buyer who is willing to believe in an improvement in the tire industry and increasing stability of prices and margins of profits. These essentials seem to be in sight.

Kelly-Springfield

When Will Dividends Be Resumed?

KELLY-SPRINGFIELD was the first company to advance tire prices late in 1922 and its action has been followed by the other leading manufacturers. In October, 1922, it was stated that Kelly, despite low tire prices, was operating on a fair margin of profit. While the company publishes official earnings statements only once a year, it has been estimated that in the first six months of 1922 net profits were a little over 1.5 millions or equivalent to $2.15 a share on the outstanding common stock. This implies an annual rate of over $4 a share and if the final figures show that Kelly did earn over $4 a share in 1922, the results would meet every reasonable expectation and should be satisfying to shareholders. In 1921, the company reported a deficit before dividends of $500,000 and after dividends of about 1.5 millions.

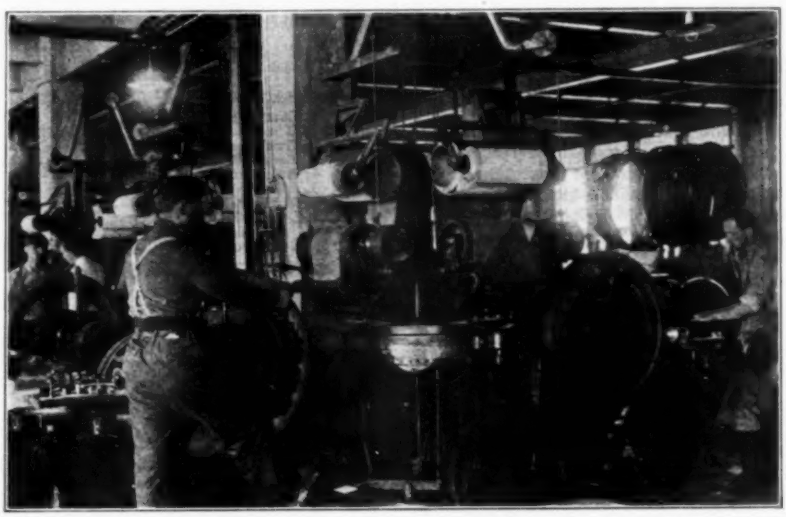
Unlike many of the other manufacturers, the profit and loss surplus of Kelly did not get down to dangerous levels but stood at 6.1 millions at the end of 1921, compared with the high of 9 millions at the end of 1918. In that period stock dividends amounting to over 2 million dollars were paid in common stock on the common stock. The par value of the common is $25 and the cash rate from 1916 had been 16% or $4 a year. Payments were suspended in April, 1921, and have not yet been resumed.

Although Kelly came through the deflation period in good shape, the company did not escape an increase of capitalization. In May, 1921, an issue of 10 millions in 8% notes, due May 1931, were sold. The proceeds of this sale, however, were not to fund a floating debt, but to pay for the Cumberland, Maryland plant which cost about 13 millions. Beginning May 15, 1923, the trust agreement under which the notes were issued, provides for the retirement of $100,000 notes each year at 110, so that this charge must be included in any consideration of the 1923 earnings prospect. In addition to that, preferred stocks carry sinking-fund provisions. It may be figured, therefore, that charges ahead of the common stock amount to approximately 2.5 millions.

Kelly-Springfield has two plants—one at Akron and one at Cumberland and it is understood that eventually operations will be concentrated at the Cumberland plant—a policy which the management expects will show a substantial reduction in overhead expenses.

Conclusion

Since their issuance in 1921, the 8% notes have sold as low as 92½ and as high as 110 which is the call price. They are now between 108 and 109 where the direct income return is 6¾%. The issue is a direct obligation of the company, but not secured by a mortgage and is, therefore, dependent upon earning power for investment standing. This earning power, under normal conditions, should be large enough to insure the integrity of the notes.



A typical scene of the interior of a tire-manufacturing plant showing how treads are put on tires

Regular dividends are being paid and have been paid upon the first 6% preferred and 8% plain preferred. They are good-grade issues.

The common stock is a favorite speculative medium for those interested in the tire stocks and usually may be counted upon to stand well in the front. Obviously the stock is a speculative issue and at 50 is selling 100% above the par value of $25. **It is too much to say, perhaps, that the stock is actively discounting a resumption of dividends, but there are expectations that payments may be possible before the year is over should earnings improve to the degree anticipated.**

(*Please turn to next page*)

Fisk Rubber Company
Improvement in Eearnings

FISK RUBBER has undergone decided capitalization changes during the past two years. This change occurred in the summer of 1921 and was impelled by the depression which hit the rubber companies late in 1920. As of December 31, 1920, the company had 14.5 millions in 1st preferred stock; 275 thousands in second preferred stock; 15.5 millions in common stock and no funded debt. Present capitalization consists of a funded debt of 9.5 millions; first seven per cent preferred stock of 19 millions; second seven per cent preferred stock at 2.1 millions and 744,000 shares of common stock having no par value.

At the end of 1920, loans had risen to almost 17 millions, or eight times the size of the account as of December 31, 1916. Inventories were almost three times as large as at the end of 1916 and the general condition of the company had reached a point where a financial readjustment was considered highly desirable. The underlying idea was to establish a base for permanent financing. At the end of 1921, loans and notes payable had been cut to 7 millions and inventories to 13 millions. These figures are given to illustrate the idea that the history of the Fisk Company, since the time the business depression hit the tire industry, is really a record of an attempt to so readjust financial condition as to make feasible expansion of business and to simplify capital structure, or at least to make it more cohesive and coordinate.

Fisk had a deficit of over 6 millions in 1921 after deduction of 8 millions as inventory adjustment. In the six months to June 30, 1922, net earnings were equivalent to 50 cents a share upon the common stock after allowing for interest and dividends on the two preferred stock issues. It is to be noted here, however, that no dividends had been paid upon the preferred issues since the spring of 1921 and the resumption of payments apparently depends upon the further recovery of earning power. The latest balance sheet available is of June 30, 1922. Notes payable had increased about 2 millions above the mark at the end of 1921, but cash had increased 1.6 millions, notes receivable 1.5 millions, while inventory remained about the same.

At the end of the first half of 1922, it was reported that the company had worked off stocks of rubber and fabric on hand which represented high-cost materials. Just recently it was reported that Fisk had anticipated forward requirements to a considerable extent later in the summer of 1922, and assuming this condition, present inventory must show a nice profit over cost, if present price of crude rubber and cotton fabric, as compared with the prices of last summer, are any guide.

Conclusion

The senior security of Fisk is the eight per cent first (closed) mortgage bonds, due 1941, outstanding to the amount of 9.5 millions. Six months income statement (*Please turn to page* 642)

Preferred Stocks Unchanged
Most of the List Quiet But Some Stocks Make Large Gai

THERE were few features in the preferred stock market during the past two weeks and the general average of prices remained unchanged. Among the sound investments, Baldwin Locomotive lost several points, this fluctuation having no significance whatever. Among railroad securities in this group, Chi. & N. W. participating preferred gained several points.

In the middle-grade group, Cosden preferred distinguished itself by rising nearly two points. Incidentally, it may be remarked that this issue is still attractive from an investment viewpoint.

U. S. Rubber 8% Preferred

Among the semi-speculative securities, Famous Players preferred was conspicuously weak in sympathy with the erratic behavior of the common stock of this com- pany. However, it may be remarked th the position of the senior issue seems a sured and on the present yield basis i offers a good speculative opportunity f those in a position to enter such commi ments. Contrary to the action of thi issue, was that of U. S. Rubber 8% pre ferred which was strong throughout th period. At current levels, this issue prob ably represents one of the best opportuni ties for speculative investment among in dustrial preferred stock issues.

There are still many excellent oppo tunities for profitable investment to b had among preferred stock issues. Th best of these, with their distinctive fe tures, appear in the accompanying tabl and are recommended for the close atte tion of investors.

PREFERRED STOCK GUIDE
Sound Investments

INDUSTRIALS:	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
1. Cluett-Peabody	7 (c.)	103	6.8	4.5
2. General Motors (debs.)	7 (c.)	98⅛	7.1	(y) 5.4
3. American Woolen	7 (c.)	110⅜	6.3	2.9
4. Loose-Wiles (1st pfd.)	7 (c.)	107½	6.5	3.5
5. American Can	7 (c.)	112¼	6.2	2.2
6. Baldwin Loco	7 (c.)	114	6.1	5.4
7. Endicott-Johnson	7 (c.)	117⅝	5.9	(x) 4.0
8. Standard Oil of N. J	7 (c.)	117	5.9	5.9
9. Allied Chem. & Dye	7 (c.)	110⅛	6.3	(w) 4.5
10. Standard Milling	6 (n. c.)	95½	6.2	4.6
PUBLIC UTILITIES:				
1. North American Co	3 (c.)	45	6.6	(x) 5.0
2. Philadelphia Co	3 (c.)	44	6.8	5.7
RAILROADS:				
1. Ches. & Ohio (conv. pfd.)	6.50 (c.)	102	6.3	(z) 6.6
2. Baltimore & Ohio	4 (n. c.)	58½	6.8	3.0
3. Chi. & N. W. (part. pfd.)	7 (n. c.)	117	5.9	6.3
4. Colo. & Southern (1st pfd.)	4 (n. c.)	59¼	6.7	8.2
5. Reading (1st pfd)	2 (n. c.)	53	3.7	13.7

Middle-Grade Investments

INDUSTRIALS:	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
1. Genl. Amer. Tank Car	7 (c.)	100⅝	6.9	(v) 5.7
2. Assoc. Drygoods (1st pfd.)	6 (c.)	82½	7.2	2.7
3. J. Kayser & Co. (1st pfd.)	8 (c.)	102	7.8	1.8
4. Brown Shoe	7 (c.)	99	7.0	3.1
5. Amer. Smelting & Ref	7 (c.)	98¾	7.0	2.5
6. Allis-Chalmers	7 (c.)	96	7.2	3.2
7. Beth. Steel (conv. pfd.)	8 (c.)	108⅛	7.3	6.9
8. Bush Terminal Bldg	7 (c.)	98½	7.1	1.1
9. U. S. Ind. Alcohol	7 (c.)	98	7.1	8.9
10. Natl. Cloak & Suit	7 (c.)	100	7.0	3.0
11. American Sugar Ref	7 (c.)	107⅜	6.5	1.8
12. Cosden & Co. (conv. pfd.)	7 (c.)	103⅝	6.7	(x) 14.6
13. Sears-Roebuck & Co.	7 (c.)	109½	6.3	15.7
14. Cuban-American Sugar	7 (c.)	101	6.9	8.0
RAILROADS:				
1. Pere Marquette (prior pfd.)	5 (c.)	73½	6.8	3.3
2. Colo. & Southern (2nd pfd.)	4 (n. c.)	52¼	7.6	7.2
3. Chic., R. I. & Pac.	7 to 5 (c.)	92	7.6	2.2
4. Pittsburgh & W. Va	6 (c.)	89	6.7	2.0

Semi-Speculative Investments

INDUSTRIALS:	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
1. Famous Players-Lasky	8 (c.)	95	8.4	(w) 6.4
2. Mack Trucks, Inc. (1st pfd.)	7 (c.)	94	7.4	1.8
3. Worthington P.&M. ("A" pfd.)	7 (c.)	84	8.3	6.6
4. U. S. Rubber (1st pfd)	8 (n. c.)	102½	7.8	2.6
5. Fisher Body of Ohio	8 (c.)	97½	8.2	...
6. Orpheum Circuit	8 (c.)	85	9.4	3.1
7. Cal. Petroleum (part. pfd.)	7 (c.)	96½	7.2	(w) 2.6
8. Pure Oil (conv. pfd.)	8 (c.)	99	8.0	6.0
9. Stern Bros.	8 (c.)	115	6.9	.8
PUBLIC UTILITIES:				
1. Market St. Rwy. (prior pfd.)	6 (c.)	67½	8.8	2.5
2. Amer. Waterworks (1st pfd.)	7 (c.)	91	7.6	(w) 1.5

(n. c.) Non-cumulative. (c.) Cumulative.
* Average for last five years. (v) Average for last four years. (w) Average for last two years. (x) Average for last three years. (y) Average for last four years. (z) Stock was issued this year. Figures represent number of times dividend would have been earned had stock been outstanding.

How Allied Chemical Is Faring

Results of Amalgamation of Constituent Companies—Is the Stock Too High?

By B. F. STETSON

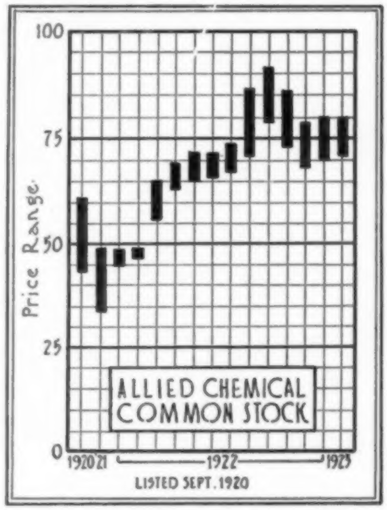
THE Allied Chemical & Dye Corporation is undoubtedly the largest single factor in the allied chemical industries and its shares are so widely held as to make the prospects for the company of especial interest to thousands of shareholders.

Allied Chemical, in its present form, is a comparatively new company, having been formed at the end of 1920. The corporation, however, which is composed of five different constituent companies, is by no means a new enterprise, its various constituents having been in operation for many years before the consolidation. When the merger was first consummated there was considerable doubt entertained in financial quarters concerning future earnings and the opinion was rather broadly held that conditions might ensue which would prove that the capitalization of the new organization had been excessive in view of probable earnings. Sufficient time has elapsed, however, to judge the validity of such conclusions.

Merger a Success

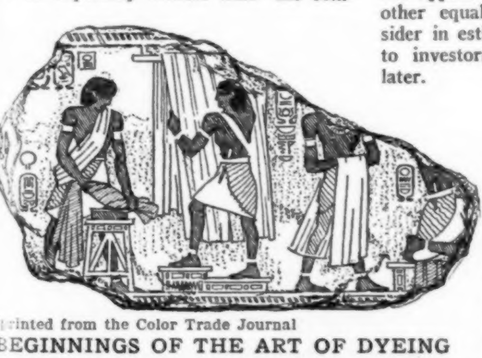
Briefly, it may be stated that the pessimism entertained several years ago over the outlook for the corporation at its inception has proved to be unfounded. Allied Chemical has demonstrated in the time intervening between date of its incorporation and the present that it has not been overcapitalized, that the planners of the consolidation were conservative and that the company has good earning power under ordinary circumstances. In this connection, it is significant that in 1921, which was not only a very poor year for business in general but the first operating year of the new corporation—and therefore an especially critical time—the company came out with flying colors and earned the comparatively respectable balance of $2.64 a share on its common stock. Considering that the period in which these earnings were especially depressed and that the company was under the disadvantage of revamping its operating machinery so as to effect greater efficiency, these earnings must be conceded to have been very satisfactory.

To substantiate the impression one gleans of its intrinsic earning power position, there is the fact that in the first quarter of the preceding year, the corporation earned an amount equivalent to that earned in the entire year of 1921. Since that period, it is understood that the company has continued to show good earning power, though it has by no means been uniform or equally distributed among the various companies which constitute the corporation.



Capitalization

On the score of capitalization, there can be no question that the corporation was put on a very conservative basis. Total funded debt is only 7.3 millions and preferred stock amounts to 38.9 millions. Neither of these amounts can be considered excessive in view of the fact that this is one of the largest corporations in America with assets of over 250 millions. In other words, assets are over 11 times the combined funded debt and preferred stock outstanding. Common capitalization is 2,119,000 shares with an asset value, deducting good-will and patents, of close to $60 a share against the present market price of $70 a share. From the viewpoint of asset value and earning power alone, current market price does not appear excessive. However, there are other equally important factors to consider in estimating the value of the stock to investors and this will be discussed later.



Reprinted from the Color Trade Journal

BEGINNINGS OF THE ART OF DYEING

The art of dyeing is as old as the textile industry itself and antedates the modern complicated machinery used in the dye industry by many thousands of years

Barrett Company

Probably the most important factor in the business of Allied Chemical is Barrett Company. This company manufactures a host of materials used in the building industry and the record activity of this industry last year had a very great effect in increasing the rate of earnings of the company. The outlook for building, while possibly not so good as that of last year, is certainly sufficiently good to assure a high volume of business for this unit of Allied Chemical's and it should bring large profits to the parent company. So long as building continues active, Barrett Company may be regarded as a money-maker of large possibilities.

Another important unit of the parent company's is National Aniline & Chemical Company which is one of the largest factors in the dye business of this country. This company is naturally dependent to a great degree on the rate of activity in the textile industry which at present is on a very high plane. Last year National Aniline was affected to a considerable degree by the shutting down of important textile plants arising out of the unfortunate New England strikes. The condition in this respect is changed, however, and no important strikes are anticipated in this direction. The demand for textiles is at present very large and National Aniline probably faces more active conditions on this account than for a very considerable period.

General Chemical

An equally important factor in the affairs of Allied Chemical is the General Chemical Company which has always been a very large earner. Detailed figures concerning the rate of this company's earnings last year have not been published and an accurate estimate is therefore impossible. It is doubtful, however, considering the status of the chemical industry, as a whole, whether General Chemical was able to produce startling results by

way of earnings inasmuch as the trend toward improvement noted in other industries was not equally reflected in this industry. The current year, however, should be a better one for this company in view of the number of industries, dependent on the use of chemicals, which are likely to be added to those considered eligible for the active list.

So far as general conditions are concerned, therefore, there is ample reason to look forward for a good year for the various companies composing the corporation with corresponding earnings for the common stock of the parent concern.

The Question of Dividends

The amount of earnings of Allied Chemical for 1922 has not as yet been published, but from trustworthy sources, the corporation appears to have covered the $4 dividend rate on the junior shares. Earlier in the preceding year, it had been anticipated that the corporation would take action with regard to increasing the rate of dividends on this issue and, in fact, this impression was strengthened upon examination of the market position of the stock, which advanced from a low point of 55 to a high of 91. The stock evidently appeared to be discounting an increase in the divididend but the directors of the corporation did not see fit to make the hoped-for change in dividends and the stock subsequently slumped back to around current figures of 70. Anticipation of a higher dividend rate thus proved premature. At least so the market action

(*Please turn to page* 670)

Industrial ***Oil*** ***Mining***

Investors' Indicator

Current Earnings—Dividends—Working Capital

Industrials—	Dollars Earned Per Share in 1921	Dollars Earned Per Share in 1922: First Quar.	Second Quar.	Third Quar.	Six Months	†Present Divid'd Rate	Recent Price	Yield on Recent Price (%)	Remarks—
Allis-Chalmers	4.07	def.	0.04	0.62	0.01	4	46	8.7	Working capital, $24,000,000.
Ajax Rubber	def.	....	....	....	0.17	....	13	...	Deficit, 1921, $5,205,577.
Air Reduction	4.11	def.	1.51	1.18	2.76	4	59	6.5	Working capital, $3,240,000.
Amer. La France Fire E.	1.45	0.38	0.42	....	0.80	1	11	9.1	Working capital, $2,406,755.
Amer. Druggists' Syndicate	def.	....	....	....	0.15	....	7	...	1921 deficit, $883,568.
Amer. Hide & Leather pfd.	def.	def.	def.	2.13	def.	....	68	...	1921 deficit, $550,257.
Amer. Locomotive com.	*13.34	....	....	....	def.	6	122	4.9	Six months' deficit, $1,841,730.
Amer. Steel Foundries	0.13	0.54	1.35	1.17	1.89	3	36	8.3	Working capital, $13,125,532.
Butterick Co.	*5.23	....	....	....	2.07	....	18	...	Working capital, $3,000,000.
Central Leather	def.	def.	def.	0.44	def.	....	34	...	1921 deficit, $11,651,425.
Cluett-Peabody	def.	....	....	....	6.17	5	70	7.1	Working capital, $10,595,772.
Coca Cola	*3.29	1.58	4.17	4.57	5.75	6	76	7.8	For year ended Dec. 31, 1922, earned $12.89 a share.
Colorado Fuel & Iron	def.	def.	def.	def.	def.	....	26	...	1921 deficit, $2,731,172; first 9 months, 1922, deficit, $581,162.
Consolidated Textile	def.	....	....	....	....	....	12	...	1921 deficit, $757,058.
Corn Products com.	9.21	3.47	3.36	3.71	6.83	c6	126	4.8	Working capital, about $35,000,000.
Endicott-Johnson	10.79	....	....	....	5.55	e5	91	5.5	For year ended Dec. 31, 1922, earned $13.77 a share.
Famous Players	19.01	4.91	3.01	3.21	7.92	8	84	9.5	Working capital, $10,800,000.
General Motors	def.	....	....	....	1.33	0.50	14	3.6	Surplus after charges, taxes, and preferred dividends for 10 months ended Nov. 30, 1922, $43,804,031.
Gulf States Steel	def.	0.40	1.70	1.90	2.10	....	81	...	1921 deficit, $731,915.
Hudson Motor	0.76	....	....	3.00	2.32	f2	28	7.4	Year ended Nov. 30, 1922, earned $6.03 a share.
Hupp Motor	1.39	0.75	....	....	....	1	24	4.2	Working capital, $2,515,873.
Mack Truck com.	def.	def.	3.63	3.25	3.53	4	64	6.2	1921 deficit, after preferred dividends, $1,009,686.
Lee Rubber & Tire	0.06	0.92	....	....	....	2	28	7.1	Nine months' earnings, 1922, $1.85.
Midvale Steel	def.	def.	def.	def.	def.	def.	28	...	Nine months' deficit, $3,348,802.
Otis Elevator	12.02	4.80	2.18	3.56	6.96	8	145	5.5	Working capital, $11,000,000.
Owens Bottle	1.09	0.72	1.58	1.23	2.30	2	44	4.5	Working capital, $8,491,508.
Pierce Arrow pfd.	*def.	def.	def.	def.	def.	....	30	...	12 months' deficit, $8,963,712. Deficit 9 months, 1922, $339,969.
Remington Typewriter	def.	....	....	....	....	....	37	...	First 6 months earned $7.93 on 1st pref.
Republic Iron & Steel com.	def.	def.	0.34	def.	def.	....	47	...	12 months' deficit, $7,415,000. Deficit 9 months, 1922, $764,376.
Stewart-Warner	2.19	0.95	3.00	3.45	3.95	6	82	7.3	Working capital, $6,000,000.
Stromberg Carburetor	1.08	0.40	2.56	2.09	2.96	4	65	6.2	Working capital, $1,000,000.
Studebaker com.	16.10	6.49	11.52	7.19	18.01	d10	115	8.7	Working capital, $30,000,000.
United Drug	def.	0.37	0.81	....	1.18	....	78	...	1921 deficit, $3,636,326.
U. S. Steel com.	2.24	def.	0.96	0.98	0.88	5	106	4.7	Working capital over $500,000,000.
Vanadium	def.	....	....	....	0.04	....	36	...	1921 deficit, $427,546.
Oils—									
California Petroleum	11.45	2.64	3.77	2.77	6.41	....	75	...	Working capital, $2,650,000.
Cosden & Co.	*0.17	....	....	....	6.59	4	54	7.6	Gasoline profits continue large.
General Asphalt	def.	def.	....	....	def.	....	43	...	1921 deficit after preferred dividends, $1,115,372.
Houston Oil	‡0.4	2.16	1.00	1.00	3.16	....	73	...	Working capital, $4,350,000.
Mexican Petroleum	26.82	....	....	....	§44.06	16	280	6.0	Net current assets, $14,000,000.
Middle States Oil	4.15	0.77	0.78	0.71	1.55	1.20	11	10.9	Earnings before depreciation or depletion.
Pacific Oil	4.64	0.80	1.14	0.69	1.94	3.00	44	6.8	Earnings after depreciation.
Pan-American A	12.94	....	....	....	g12.66	b8	87	9.2	Controls Mexican Petroleum.
Pierce Oil com.	def.	....	....	....	def.	....	4	...	7 months' deficit, $779,048.
Pure Oil	2.57	....	0.74	....	....	2	28	7.1	Working capital, $14,386,440.
Sinclair Consol.	def.	....	....	....	4.18	2	32	6.2	Net current assets, $50,000,000.
Mining—									
American Smelting com.	def.	....	....	....	def.	....	55	...	Six months' deficit, $142,580.
American Zinc pfd.	def.	0.50	1.00	1.20	1.50	....	49	...	1921 deficit, $260,101.
Chino	def.	....	def.	def.	def.	....	25	...	1921 deficit, $1,314,204.
International Nickel	def.	def.	def.	def.	def.	....	14	...	1921 deficit, $1,042,745.
Nevada Consolidated	def.	....	def.	def.	def.	....	15	...	1921 deficit, $1,870,337.
Ray Consolidated	def.	....	def.	0.04	def.	....	14	...	1921 deficit, $1,598,318.
Utah Copper	def.	....	0.43	1.04	....	2	64	3.1	1921 deficit, $2,058,109.

† Dividend rate given covers regular dividends on yearly basis.
* After depreciation, taxes and inventory adjustments, etc.
‡ After deducting $1,034,542 for depletion of oil lands and not including payments made by Kirby Lumber Co., which in 1920 were $1,171,875, equal to 4.5% on common.
§ Nine months ended September 30.

b Stock dividend of 20% payable February 8.
c $3 extra paid January 20, 1923.
d Stock dividend of 25% paid December 29.
e 20% stock dividend payable Feb. 15 to stockholders of record Jan. 26.
f Extra dividend of 25 cents declared.
g 11 months ended November 30, 1922.

Building Your Future Income—
For the man with his first five hundred dollars

The Glory of the Commonplace

(Reprinted by Request)

About Forty Years Ago
Two Perfectly Normal Young People
Started Out Living
The Boy Was Not a Genius
The Girl Was Not a Ravishing Beauty
They Were, Both of Them,
Just Healthy, Wide-Awake, Up-and-Doing
Kids.

Of Course, They Got Married

There Wasn't Anything Unusual
About Their Married Life.
The Girl Did Just What Any Other American Girl
Might—Or Has to Do:
She Washed Dishes, Swept Floors, Dusted Furniture,
Fought the Grocer, Gossipped Now and Then
* * * * And Had Babies * * * *
If She Was in Any Way Remarkable
It Was in Saving a Little Money Every Month.

The Boy Was Just as Commonplace
In His Way * * * *
He Kept Plugging at a Plugger's Job.
He Kicked About the Dinner Now and Then
Bought a Car Before He Could Afford One
And Sold It Two Months Later.
Called His Boss a Slave-Driver Before His Wife
And Then Made Her Ask the Boss to Dinner.
* * * * The Only Thing About Him That Was Odd—
And at That, It Wasn't So Very Odd,
Was a Hobby He Cultivated of Studying the Bond Market
And Buying One or Two Bonds of the Sensible Kind
Every Now and Then. * * * * * *

Evenings, Nowadays, They Spend a Good Deal of Time
Looking Back. And Mostly at the Time
When They Had to Do Without
To Insure What They Wanted Later On. * * * *
They've Still Got That First Bankbook.
The Receipt for the First Bond They Ever Bought
Is in a Gilt Frame, and Hangs on the Wall
In a Room Upstairs * * * * * *
* * * The Grown-Up Boy Likes His Work Too Much
To Retire; and the Grown-Up Girl
Although She's Sometimes Just a Little Lonely
What With Her Children Gone, Likes "Him" Too Much
To Ask Him to Retire * * * * . *
They Haven't Got a Million Dollars, But They've Got
Enough.
And They Attribute Their Income to That First Bankbook
And That First Bond.

And I Don't Know Why I Tell This Story
Unless It's Out of a Sort of Veneration for
The Glory of the Commonplace.

* * * * I Thank You.

Apologies to K.C.B.

Solving Industrial Insurance Problems

Answers to General Interest Inquiries from Readers

By FLORENCE PROVOST CLARENDON

BORROWING MONEY TO MEET PREMIUMS

Is It a Wise Policy?

I have lately become much interested in your articles on Life Insurance, but I have seen no plans, suggestions or experiences that cover my case. It is not wholly a matter of insurance for its own sake, however:

Through no fault of my own I did not get my start till comparatively late in life, and the chance for savings and investments have been small. Have had to use too large a proportion of the salary for the family.

For education of the children it was expected that a legacy would become available, but the settlement is not completed. I propose to have the two boys, 17 and 18 years of age, take out a policy for $2,500 or $3,000, and I jointly with each of them guarantee the premiums. They can earn enough in vacation and while going to school to more than pay them. The form of insurance would probably be on the whole life plan with privilege of conversion to endowment or paid-up. Or, if it were better, term insurance.

With the form of insurance decided on, I would look for some source from which to borrow the money in instalments as needed, giving a note in each case and pledging the policies.

As soon as possible after getting out of school each boy would begin to pay back the loan and, finally, receive the policy back.

There would be one advantage in this: The boys would be inducted into the benefits of insurance at an early age and would have the habit of saving or regularly meeting an obligation forced upon them.

Have you ever heard of such a plan being carried out? Is it wholly impracticable? Can you suggest anything that would make it easier to accomplish the same end?

I have hesitated for some time about writing you on this subject, but it is quite a vital matter with me.—R. D. C., Akron, O.

I thoroughly agree with you that the habit of thrift and saving should be strongly encouraged in youth. To be of real value, savings must be regularly and systematically set aside, and there is no better way of building up such a fund than by means of a life insurance policy, because premium payments fall regularly and there is a gentle compulsion in their payment. The usual reminder sent out by the insurance company prior to the premium due date and the increasing value of the insurance to the policyholder both act as a stimulus to regular and prompt payments.

One of the most practical gifts that a father can give to his 17 or 18-year old son is an insurance policy on which the first premiums have been paid. Thus, the insurance is issued at an age when he can get the benefit of small premium payments, and he begins in good season the building up of his estate. If the boy values his investment, and the necessity of saving has been inculcated in him, he can easily save or earn enough during the year (even during his vacation period, if he is a student) to pay the future premiums himself.

I do not, however, favor the plan of life-insurance investment for your two boys if a loan must be obtained in order to pay the premiums. While young people should be taught to save, they should also be taught to deny themselves the things for which they are unable to pay. It is an excellent idea for a youth to begin building his estate at an early age through life insurance investment, but if you cannot help your boys to meet these premiums while they are students, it would be better to wait until a more suitable time for such an investment, rather than start your young sons in life handicapped by a debt.

Regarding the plan of insurance: I would suggest policies on the 30 or 35 Payment Life plan, under which forms all premiums would be paid up (if the insurance is taken at age 17 or 18) when the insured would normally still be in the prime of life and would not find premium paying burdensome, for under either plan the payments would all be paid before age 55. Moreover, the premiums on these plans are not much higher than those required for the Ordinary Life form, while there is the advantage of leaving old age free from the burden of meeting premium payments.

FOR A BACHELOR AGE 40

Where He May Procure Endowment Policy

In the May 13, 1922, issue of THE MAGAZINE OF WALL STREET, *Florence Provost Clarendon, in the article "Does the Middle-Aged Bachelor Need Life Insurance?" said:*

"A 25-year Endowment Policy taken by a man of 40 in the sum of $10,000 would cost him about $340 a year in a non-participating company."

Can I find out from Mrs. Clarendon whah the name of such a company is?—M. A., Willcox, Arizona.

In reference to my statement, as quoted by you, I beg to advise you that a policy such as described could be procured through the Travelers Insurance Company of Hartford, Connecticut. The exact rate for the $10,000 policy is $339.20. Approximately the same rates are available from the Connecticut General or the Aetna Life Insurance Companies.

The same type of policy at the stated age could be procured in a participating company at an annual premium of approximately $385, and the cost, after allowing for dividend reduction each year, would not differ much from the cost in the cheapest non-participating companies. Other companies writing on a participating basis offer the policy at rates varying to about $440 per $10,000. Annual dividend distributions of course reduce the amount of these premiums, and in the case of good companies the final net cost works out about the same.

ANNUITIES AS INVESTMENTS

What Do They Offer?

I notice a number of very interesting articles in your Insurance Department.

The following proposition has recently been presented, and there seem to be a good many people who are undecided with reference to the best course to pursue under the circumstances.

The man is 57 years old; wife 54—figuring their nearest birthdays. They have accumulated fifty or seventy-five thousand dollars. There are no children—no dependents or others to whom they desire to leave their estate.

They cannot take the property with them when they die. The man is drawing a reasonably large salary, and they have been in the habit of living well.

The man becomes incapacitated, or possibly may desire to retire from active business, and we will assume that he has no income excepting interest on his investments, which consists of stocks in various concerns, which would not produce quite enough revenue or income to enable them to live as they have been in the habit of living. If they spend a portion of their principal each year, their income will be gradually diminished.

Now, the question is: What disposition should be made of their property to pay them as large an income during their lives as possible with safety, leaving little if any property to be disposed of after the death of both husband and wife?

If annuities are desirable, what style or class of annuities would be recommended, and what would be the probable yearly income from such annuities?

I am inclined to believe this proposition would be interesting to many of your readers, and if desirable from your point of view, I should like very much to see a discussion in your columns of this subject.—J. M. B., Toledo, O.

The immediate suggestion which your communication arouses is that an annuity be purchased. The best form of annuity for adequate protection of both husband and wife is that known as "Joint & Survivor." Under this form of annuity, the income is paid to the parties jointly, while they are both alive, and is continued at the same rate to the survivor, so that both and either one will be protected during the entire lifetime.

It becomes an interesting question, however, whether such an annuity should be purchased while the husband is still in active business life and only of the age of 57. He may with advantage continue in business and accumulate a larger capital sum which then would be available to purchase a larger income, because, of course, the same capital will bring a much better return at the older ages if invested in a Joint and Survivor annuity.

OPEN TO ALL

Mrs. Clarendon's solutions for individual insurance problems presented on this page are but a few of the many studies she has made on behalf of readers of The Magazine. While no charge is made for these analyses, each problem is given the most careful consideration, and the analyses are the product of conscientious study. Income Builders everywhere are invited to make use of this service, which we believe is unique with the Building Your Future Income Department.

At ages 57 male and 54 female (which, for annuity purposes, are usually taken at *last* birthday) the sum of $50,000 would purchase an annuity of about $3,250. This, you will observe, is just about 6½% on the capital. If the ages were five years older, 62 and 59, the annuity for the same purchase price would be $3,600.

You refer particularly to the possibility that the insured may become incapacitated. This brings in another element in considering the wisdom of purchasing an annuity. If the incapacity were caused by ill health of any serious character, then of course it might be desirable to purchase the annuity on the wife's life only, with perhaps a provision that the annuity payments should provide for a return of not less than the capital amount sunk; or some other form of guaranteed annuity might be applied for which would provide a return for a fixed period of years. The annuity which could be purchased for $50,000 on the life of a woman aged 54 (without any such provision or guarantee as above indicated) would be nearly $3,900. At age 59, the annuity would be about $4,300.

You will see from the various points outlined that there are many complex considerations entering into such a problem as you submit.

THE MATTER OF RATES
On Converted Policies

I received your letter of the 15th, and I wish to thank you for your good advice and also for the compliments you paid my "thrift program."

Now I am going to trouble you again.

As soon as I received your letter, I went over to the New York Life Insurance Co. (where I carry my life insurance). I told them, as I had previously told you, that I desired to change my insurance from ordinary to 30-payment life. Much to my surprise, they informed me that the cost would be $25.71 per $1,000, instead of the $22.00 per $1,000, which, in your letter to me, you said you believed would be quoted.

Why the difference between the rate you quoted and that which the company quoted? Will you please advise me fully? I was 20½ years old when I took out this insurance.—E. S., Chicago, Ill.

In making the rate-quotation to which you refer, I was under the impression that your age *at present* is 20 years, and I quoted an approximate rate (about $22) for 30 Payment Life at that age. Some companies may charge a little more, others somewhat less than this amount; while some may grant a larger dividend annually and other companies a smaller one. Rates vary in different companies, although seldom to any great extent.

It may be that you are now 22 or 23 years of age, and that the New York Life has quoted premium rates for your present age, in taking up the question of converting your Ordinary Life policy to the 30 Payment Life plan. It is possible, also, that instead of charging you a lump sum for the cost of conversion, they are simply making the premium rate large enough to include the cost of changing the policy.

Whatever their arrangement with you may be, I think you may feel confident that your interests will be protected, because the New York Life Insurance Company has an excellent record and a reputation for fair dealing with its policyholders.

A Painless Method of Providing
—*for*—
A Boy's College Education

Reader Submits Easy Payment Plan For Accumulating Necessary Funds

FROM a reader whom, for purposes of identification, let us call "W. W. J." comes the following:

"A number of thrift schemes have been described recently in the pages of THE MAGAZINE OF WALL STREET of providing the means for covering the college expenses of young men and women, but the following method, in the opinion of the writer, is better than any heretofore proposed:

Start at His First Birthday

"When the boy attains the mature age of one year, and on each birthday anniversary thereafter up to and including the eighteenth, (when he should be prepared to enter college), present him with a one hundred dollar bond or dividend-paying preferred stock of equivalent value.

"The method is called 'painless' because only $8.33 per month need be set aside, which might be done by one receiving a quite small income. There are a number of reliable concerns specializing in high grade bonds from whom $100 denominations may be purchased on the partial payment plan—this would require installments of $10 for ten consecutive months. Interest at the rate of six per cent per annum is allowed on these payments. Interest and dividends received on previous purchases may be applied on such contracts.

How It Works Out

"The accompanying table and curve are based on net return of six per cent per annum. Securities selected with reasonably good judgment will meet this requirement with a fair margin of safety, but prompt re-investment of interest and dividends is of course imperative for accomplishment of the plan. It will be noted that the fund is to be disbursed at the rate of $900 per annum, or approximately $100 per month during each collegiate year, excepting the fourth, which would be short about $150. If the boy is worth sending to college he should be able to earn $50 during each of the summer vacations in addition to his living expenses, thereby filling out the fund for his final year in college.

"When the boy is old enough to profit by the experience he will attend to practically all of the details of the plan, including the placing of orders for new purchases, remitting the monthly payments, clipping of coupons, recording all transactions, etc. The reasons for selection of certain bonds or stocks will be explained to him in the hope of developing 'financial sense' at an earlier age than comes to most of us.

If You Wait Till He Is Five

"The plan was not set in motion in one case until the boy was five years old, at which time a $500 bond was transferred to his name; therefore, it was necessary to purchase a $200 bond the following period since there should be almost $700 in the fund at the sixth year. While the scheme may be termed elastic, nevertheless, it is strongly recommended for obvious reasons that a definite plan be adopted and adhered to if at all possible.

"Some, no doubt, will declare that the fund accumulated from the small investments proposed will not be sufficient to

"EVENING UP" PROGRAM IN FIGURES

End of Year	Previous Invest't	Interest Thereon at 6%	New Invest't	Total	Evening Up Deposit	Capital Forward	New Investment Each Year
1	.....	.....	$100	$100	..	$100	$100
2	$100	$06.00	100	206	94	300	194
3	300	18.00	100	418	82	500	182
4	500	30,00	100	630	70	700	170
5	700	42.00	100	842	58	900	158
6	900	54.00	100	1,054	46	1,100	146
7	1,100	66.00	100	1,266	34	1,300	134
8	1,300	78.00	100	1,478	22	1,500	122
9	1,500	90.00	100	1,690	10	1,700	110
10	1,700	102.00	100	1,902	98	2,000	198
11	2,000	120.00	100	2,200	80	2,300	180
12	2,300	138.00	100	2,538	62	2,600	162
13	2,600	156.00	100	2,856	44	2,900	144
14	2,900	174.00	100	3,174	26	3,200	126
15	3,200	192.00	100	3,492	8	3,500	108
16	3,500	150.00	100	3,750	50	3,800	150
17	3,800	228.00	100	4,128	72	4,200	172
18	4,200	252.00	100	4,552	48	4,600	148
							$2,704 or $150 a year

put a boy through college, but it is anticipated that the cost of a college education in 1935 and immediately thereafter will not be much greater than in 1908 when the writer got through on even less than $100 per month. A certain amount of encouragement will be offered to this particular boy to build up the small savings account now functioning.

"If he really catches the spirit of the game, as looks promising, the college fund will be further augmented from time to time by transfers from his personal savings account.

For Additional Safety

"By way of further protection to the plan, it is suggested that sufficient life insurance be carried by the father, payable on his death to a trustee, for the specific purpose stated. The yearly premium per $1,000 of "ordinary" life insurance at the age of 30 years is quoted by one of the old line insurance companies at $23.92, and the actual cost will be reduced slightly by the usual dividends. A $1,000 policy payable just after the first $100 is placed in the fund, would yield $2,854 when the boy reached the age of eighteen years, contingent upon annual compounding of interest at six per cent. The return from the $100 bond, added thereto, would sum up $3,139. Should the policy be paid ten years after the plan had been put into operation, the $1,000 from the insurance company would grow to $1,594, and the $1,318 then in the educational fund would be swelled to $2,000, or total of $3,594, by the time the boy was ready to enter college.

"The more conservative 'four per center' would have to put by $10 every month or $120 per year in securities earning four per cent per annum in order to realize the same result as shown by the chart. Even on that basis at least the minimum requirements of four children through four years at college could be provided for on an annuity of less than $500 over a period of eighteen years."

READER'S PROGRAM IN FIGURES

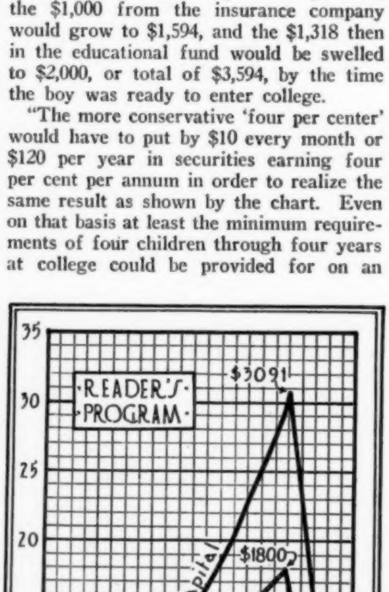
Age	Investment	*Plus Interest
1	$100	....
2	200	$206
3	300	318
4	400	437
5	500	563
6	600	697
7	700	839
8	800	989
9	900	1,149
10	1,000	1,318
11	1,100	1,497
12	1,200	1,689
13	1,300	1,888
14	1,400	2,102
15	1,500	2,328
16	1,600	2,568
17	1,700	2,822
18	1,800	3,091
19	900	2,350
20	900	1,564
21	900	781
22	748	16

* Cents omitted.

The chart of our reader's program, together with the table upon which it is based, is shown elsewhere.

We thoroughly agree with Mr. W. W. J. that such a program as he maps out would be a most enterprising one to follow, if it could be followed. His plan apparently offers an opportunity to build a total of over $3,000 capital in eighteen years by an investment of only $1,800, or $100 a year. Certainly, that is an attractive prospect.

But an analysis of his figures is not so encouraging. Studying over his table, we find that the shown growth of his total investment (principal and interest) to the $3,000-mark is based upon the presumption that it would be possible for a builder who followed his plan not only to consistently obtain a yield of 6% on every $100-bond that he bought, but also to obtain 6% upon the odd-sums over and above the even-hundred marks which he attains.



Thus, we find that the reader's program calls for saving $100 in the first year and investing it in a $100-bond to yield $6 in interest during the following year. Fair enough. At the end of the following year (the second year) our man will then have $106, which, by the addition of the 2nd year's saving of $100 will swell to $206. Still fair enough. But in the 3rd year, the reader shows his man not only receiving 6% upon the $200 contained in this sum, but on the extra $6 as well. If the premises of his program were put into words, it would read: "It is possible to obtain 6%, net, on an investment of six dollars." And we know no means by which that could be done.

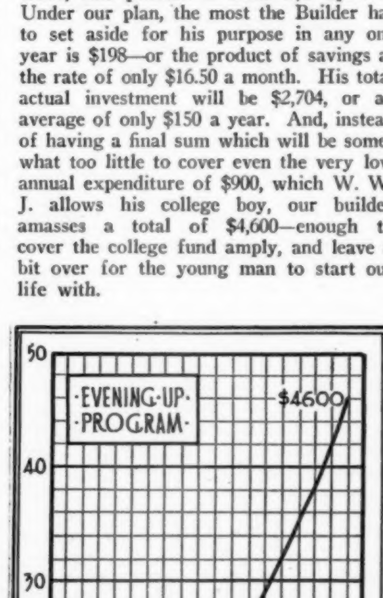
The small investor, by purchasing real estate mortgage bonds, can secure a 6% return on an investment of as little as $100. But, so far as we know, that is as far as he can go. If he have an odd sum to invest—such a sum as the $206 our reader mentions—he will either have to build up that sum to an even figure by the addition of a special "evening up" deposit, or else he will have to put the odd-amount (six dollars, in this case) in the savings bank, and content himself with 4% thereon.

Our reader says that there are a number of houses selling bonds on the partial payment plan which allow interest at the rate of 6% on the purchase deposits made under this plan. And that may be true enough. But during the year in which a bond is being so purchased, the investor could hardly net 6% *of the full purchase cost of the bond*—and this he would have to do, apparently, to reach Mr. W. W. J.'s results.

An Education Fund Program

Nevertheless, W. W. J.'s plan can be made the basis for a very sound and enterprising Education Fund Program, we think. And this by the mere addition of those "evening up" deposits referred to so frequently in these columns. Just how these deposits come in is shown in the table "Evening-Up Program in Figures," which is attached.

Note, from this table, that at the end of the 2nd year, according to the Evening-Up Program, when the College Fund amounts to $206, and when it is desired to put every dollar of that money to work, the additional investment of $94 is called for. Thereby, of course, the actual investment is brought up from $206 to $300, and the Builder, instead of having an odd $6 which he will have to put in the savings bank at only 4%, will be able to put *all* his money to work, and procure a clean 6% upon it. Under our plan, the most the Builder has to set aside for his purpose in any one year is $198—or the product of savings at the rate of only $16.50 a month. His total actual investment will be $2,704, or an average of only $150 a year. And, instead of having a final sum which will be somewhat too little to cover even the very low annual expenditure of $900, which W. W. J. allows his college boy, our builder amasses a total of $4,600—enough to cover the college fund amply, and leave a bit over for the young man to start out life with.



How to Obtain a Larger Interest Return With No Greater Risk

Building and Loan Certificates, the Third Step in the Stairway to Financial Independence

(This is the thirteenth of a series of articles intended to give practical aid to enterprising Income Builders.)

THE "Staircase to Success," which Income Builders saw pictured in a previous article of this series, showed the Savings Bank as the logical first step in the climb to Financial Independence, and one which could well be used, intermittently, all through the climb and until the final, top step had been reached. The second step was given over to our Government's securities, including its long-term bonds and its short term notes and certificates.

The third step was divided into three parts. And of these, the first part—Equipment Trust Bonds—was described in some detail in the last article. The next subdivision of this step was devoted to "Building & Loan certificates" and it is this interesting investment medium we have to talk about now.

A "Three-Edged" Investment Opportunity

Building & Loan certificates are a three-edged investment opportunity. **They offer Income Builders (1) a means of employing savings at higher-than-savings-bank-rates, provided only that the savings be remitted in regular, although SMALL monthly deposits; they offer (2) safety; (3) they are a means of establishing one's credit with an organization one of whose chief functions is to assist home-builders in financing their home-building projects** —and, to enjoy a "high credit standing" with such an organization is manifestly desirable to all of us who hope or may hope some time to build homes of our own.

When so much can be said in favor of Building & Loan certificates as investments, one might be led to inquire why these certificates are not far more generally used—why, for example, the lady in upper Manhattan who journeys thirty blocks once each week to add a certain, stipulated sum to the savings bank account she is building up for her children does not journey a few blocks further and secure the greater interest-return which is offered by the certificates we are describing. To that question, the writer can only suggest two answers. Either the greater opportunities which B & L certificates offer are not brought before the public as they might be, and therefore not generally appreciated; or else a great portion of the general public is suffering from some such "habit of mind" as Mr. Chace described in a recent issue of THE MAGAZINE OF WALL STREET, viz., the "tendency most of us seem to have to adhere to investment methods and mediums as practiced by our grandfathers solely because we were brought up on them, and not at all because we have analyzed them, independently, and found them really superior to other methods."

In a Typical Society

In the society with which this Department happens to be most familiar (but which may be said to be typical of Building & Loan societies all over the country), the savings certificates are called Instalment Shares. One share is worth, at its final value, \$100. To purchase one share, the investor need only deposit at the rate of \$1 per month. A member who subscribes for ten shares, ultimately worth \$1,000, agrees to pay ten dollars a month toward their purchase.

The monthly payments, plus the earnings of these shares (which are compounded semi-annually) fix it so that the whole program will be completed in seven years, or less. The dividends paid by the Society we speak of on these Instalment Shares have been at the rate of never less than 5% per annum since the instalment-share idea was inaugurated. *In other words, income builders have obtained from ½% to 1½% more interest from these Instalment Shares than they could have gotten from the same money deposited in the Savings Bank, with no less safety; and they receive this remarkably high return on small monthly deposits.*

So much for the investment side of Building & Loan certificates.

What B. & L. Associations Do for Home Builders

As to whether or not intending, or would-be, home-builders would benefit, when the time came for them to build, from having a B & L Association behind them, let us consider a recent discussion between a certain gentleman in search of knowledge and another gentleman who already had the knowledge:

The Searcher for Knowledge, who was also an intending home-builder, had studied the B & L plan in connection with mortgage complications. He had a \$10,000 project on foot, which called for securing \$7,000 on 1st mortgage.

The Searcher had learned that a home-builder who borrowed \$7,000 on 1st mortgage from a B & L Association would have to pay back to the Association (at the monthly rate of \$10 per \$1,000 borrowed, or \$70 per month for his \$7,000) a total of \$1,387.79 per \$1,000 borrowed, or a grand total of \$9,714.53 for his \$7,000. The Searcher also found that it would take his man 11½ years to wipe out the mortgage, at the reduction rate specified.

"But," said the Searcher, "Suppose I put my project on a Straight Mortgage Basis; and suppose I amortized that mortgage *myself*. This I could do by investing, every year, the money which, under the B & L plan, I would have to pay over to the B & L Association (\$70 a month, or \$840 a year). Wouldn't this make it possible for me to attain the needed total in less time, and on a smaller ultimate investment, than would be possible under the B & L plan?"

What His Calculations Showed

Being a very conscientious Searcher for Knowledge, our friend worked his idea out on paper. This is what his calculations showed:

1st Year Deposit	\$840.00
Int. 1st Year (6%)	......
Cap. End 1st Year	\$840.00
Int. on Cap. 2nd Year	50.40
2nd Year Deposit	840.00
Cap. End 2nd Year	\$1,730.40
Int. on Cap. 3rd Year	103.82
3rd Year Deposit	840.00
Cap. End 3rd Year	\$2,674.22
Int. on Cap. 4th Year	220.45
4th Year Deposit	840.00
Cap. End 4th Year	\$3,734.68
Int. on Cap. 5th Year	224.08
5th Year Deposit	840.00
Cap. End 5th Year	\$4,799.76
Int on Cap. 6th Year	287.98
6th Year Deposit	840.00
Cap. End 6th Year	\$5,927.74
Int. on Cap. 7th Year	355.66
7th Year Deposit	840.00
Cap. End 7th Year	\$7,123.40

"Good enough!" said the Searcher. "Judging from that calculation, all I have to deposit, during the period shown, in order to build up a capital of over \$7,000 with which to amortize my mortgage is 7 x \$840 or \$5,880. To this total, I must add 7-year's interest, at the rate of 6% a year, which I will have to pay out to maintain my mortgage. That would be a total of \$2,940. Add this \$2,940 to the \$5,880 and I find that, by my self-amortizing method, my total disbursements to extinguish a mortgage of \$7,000 are \$8,820.

"In other words," the Searcher con-

TO HOME BUILDERS:

This article, which shows how the Building & Loan mortgage plan works out in practice, and its benefits as compared with any other method, may help you decide how to finance your home.

Remembering that home builders who desire to borrow on mortgage from the B & L Association, must first prove their ability to save, the article may be found additionally valuable in its analysis of B & L certificates as investments.

Inquiries relating to any phase of the subjects discussed will be gladly answered by the B Y F I Department.

cluded, "by putting my project on a straight mortgage basis, and building up an amortization fund by means of my own investments, I extinguish it in 8 years, against the 11½ years the B & L plan requires; and I only have to pay out $8,820 for the purpose, whereas under the B & L plan I have to pay out $9,714.53! I've beaten the B & L plan any way you look at it!"

Making a Fair Comparison

Overcome with enthusiasm, the Searcher for Knowledge took his conclusions to the Gentleman Who Already Had the Knowledge.

"Umph!" commented that worthy. Looks fine—but wait a moment:

"You have given your self-amortizing borrower the right to use a complementary investment plan as a means of building up his amortizing capital. But you haven't given your B & L borrower any such right. Naturally, your self-amortizing friend comes out ahead.

"Now, if you were to be fair about it, and let your B & L borrower build up an investment fund on the side too, you would reach a very different conclusion *even though the B & L man's money would only bear interest at the rate of* 5% *annually.* For example:

"Your B & L borrower will pay to the B & L Society each month, on a/c of his mortgage, the sum of $70. Suppose he also use the $420 a year, or $35 a month, which your straight mortgage man has to pay out in the shape of interest on his mortgage for the purpose of building up and maintaining a savings account. The total he would then be paying into the Society would be $105 a month, part for mortgage reduction and interest, and part for his investment fund.

"This man will have in the institution in less than 7 years, depending upon the dividend received on his savings account, the sum of $3,500. This he may take out in cash, continuing to pay $70 a month on his mortgage to maturity; or he may apply it in discharge of his mortgage debt as follows:

Balance due Society at End of 6-Mos.	$3,347.05
Accrued Savings and Dividend....	3,500.00
Bal. Paid to Borrower in Cash...	$152.95
Less 60 Days' Interest on Balance Due on His Mortgage.........	32.47
	$119.48

"Totaling things up," concluded the well-informed gentleman, "our B & L man will have paid on his mortgage $3,185.35; on his savings account $3,940; or a total of $7,125.35. From this deduct the cash received at the end ($119.48) and we find that his total payments amount to $6,005.87.

A Startling Conclusion

"In other words, the B & L plan man pays out only $6,005.87, *whereas your self-amortizing man makes deposits and loses interest totaling* $8,258. *Furthermore, it takes your self-amortizing friend* 8 *years to reach his objective; whereas our B & L friend gets there in less than* 7 *years.*

"There is something else to consider, too," continued the Well Informed Gentleman, mercilessly. "You have assumed that your self-amortizing friend could invest odd sums of money, year-in and year-out, for 8 years, and never fail to get 6% thereon. That is an assumption so big that it approaches the fraudulent. Take the beginning of his second year, when, according to your plan, he has to invest $840 at 6%. Maybe he could get $800 of it out at that figure—in $100-mortgage bonds, for example; but what in the world would he do with the other $40? Do you know anywheres you can get 6% on a $40-investment?"

The crestfallen Searcher for Knowledge had to admit he was beaten. Obviously, he had to be. *The B & L mortgage plan is better than any other because* (1) *it provides for the constant diminishment of the capital sum borrowed and* (2) *for the compounding of interest at a high rate on small cash deposits. It has been rightfully described as the "easiest, simplest, least expensive mortgage system ever devised."*

Conclusion

All of which is enough to prove that, for possible home-builders, to have a high credit rating at a B & L Association is an invaluable asset. In fact, this writer believes that it may truthfully be said that no young man or young woman can take a wiser or more constructive action in his own favor than to start, at once, on a Building & Loan saving campaign, even if the least he or she can deposit is one dollar a month.

To be an investor in Building & Loan certificates is to make the most of the present at the same time that you buy a groundwork for the future.

Points for Income Builders

About "Notes," "Indorsements" and Other Things

A NOTE is a promise, in writing, to pay a certain sum of money to a specified party either at a stipulated time and place, or else "on demand."

Indorser

As added protection for the party accepting the note (the "holder") or in whose favor it i drawn, the agreement may be, and generally is, indorsed by one or more persons. Such a signature is known as an "indorsement."

Unless special restrictive clauses are added, limiting his liability, the indorser of a note is liable for its full value in case the maker fails to make payment according to the requirements.

Of course, if the provisions of a note be changed after it has been drawn and indorsed, without the indorser's knowledge and consent, the latter is automatically relieved of all liability. In other words, the indorser of a note assumes liability tor its payment only as originally drawn and indorsed.

Many persons, it would seem, of inadequate circumstances are easily led to indorse personal notes as a friendly "favor" to acquaintances. This might occur less frequently if the full liability of an indorser were generally understood.

Demand Note

Loans are often obtained and made in the financial centre, and between financial institutions, on a "demand" basis. That is, the borrower retains the right to pay off the loan at any time (legal holidays excepted) and the lender retains the right to demand payment at any time.

"Call Money" is nothing more nor less than a "Demand Loan."

Indorsement

The signature of the party in whose favor a bank check, or note, is drawn, when properly affixed, renders the same negotiable. Such a signature is the "indorsement."

The indorsement should be an exact duplicate of the name appearing on the face of the note (or check). Thus, a check drawn in favor of "John Henry Jones" must, to become acceptable, be so indorsed by Mr. Jones, even though his exact name be John *Arthur* Jones. It is well, in case of inaccuracies of this sort, to sign the correct name under the incorrect one.

Joint Indorsement

When a note is made payable to two or more parties, their several indorsements are required, and together become a "joint indorsement."

Absolute Indorsement

An "absolute indorsement" fastens liability upon the indorser only upon due notice of the failure of prior indorsers to make payment.

Conditional Indorsement

If the indorser is willing to accept liability only upon certain conditions, then these conditions are attached to the instrument, limiting his liability. Such indorsements are known as "conditional indorsements."

Protest

When the maker of a note fails to pay upon proper presentation, the instrument is turned over to a notary public. The latter then presents it officially, makes out a "certificate of protest," affixes the instrument, or copy, thereto, with his signature and seal. Refusal to pay upon the next presentation is followed by a written "notice of protest," which goes to the indorsers and constitutes legal evidence of the maker's failure to live up to the agreement.

Public Utilities

Comparison of Leading Gas Stocks

The Outlook for Brooklyn Union Gas, Consolidated Gas (N. Y.) and Philadelphia Company

By ALFRED MAYS

THIS article deals with the relative investment merits of three of the leading gas company stocks—Philadelphia Company common, Consolidated Gas (N. Y.) common and Brooklyn Union Gas Company common. Lack of space prohibits an analysis of the fundamental aspects of these companies but readers who desire more complete information on these companies than this article may contain are referred to the September 2, 1922, issue of THE MAGAZINE OF WALL STREET in which was published a review of the position of all the leading gas companies.

In comparing the merits of the common stocks of Brooklyn Union Gas, Consolidates Gas (N. Y.) and Philadelphia Company, requirements of the small investor only have been considered, the purpose being to select that security for recommendation which will most fully meet the needs of this investing class. Since the small investor is mainly interested in the size of the yield as well as the security of the dividend, it will at once become apparent by comparison of these features of the several stocks under discussion as to which is the most attractive from this limited viewpoint.

At current quotations, Brooklyn Union Gas ($100 par value) is selling at 110 and since it pays dividends of $8 per share, the yield is 7.25%. Philadelphia Company common stock ($50 par value) is selling at 42 and paying dividends of 6% or $3 a share, the yield of this issue is 7.14%. Consolidated Gas new stock (no par value) is selling at around 63 and, while the rate of dividends on this issue has not yet been officially declared, it is believed that dividends will be inaugurated at the rate of $4 a share annually which would bring the yield of the stock to 6.25%.

It is readily apparent from a comparison of these figures that from the price viewpoint alone Consolidated Gas (N. Y.) seems the least attractive of the three issues under discussion.

Eliminating this stock from consideration, therefore, we have left Philadelphia Company common and Brooklyn Union Gas common. While the latter issue, at current prices, yields a trifle more than Philadelphia and while it has great possibilities from a long-rang point of view on account of its much higher price, it is not so suitable a stock for small investors as Philadelphia common.

This stock, selling in the lower forties, is within the reach of the average small investor and, if purchased for investment, can be procured without necessitating undue financial strain. An investor, for example, with an income of $50 a week, with care could undoubtedly save enough each month to buy a share of this stock and put it away for investment. It is a stock which does not fluctuate a great deal and at least for a reasonable period will probably sell at levels not far from those now current so that the investor may feel assured that he can count on this investment medium whenever he has the funds.

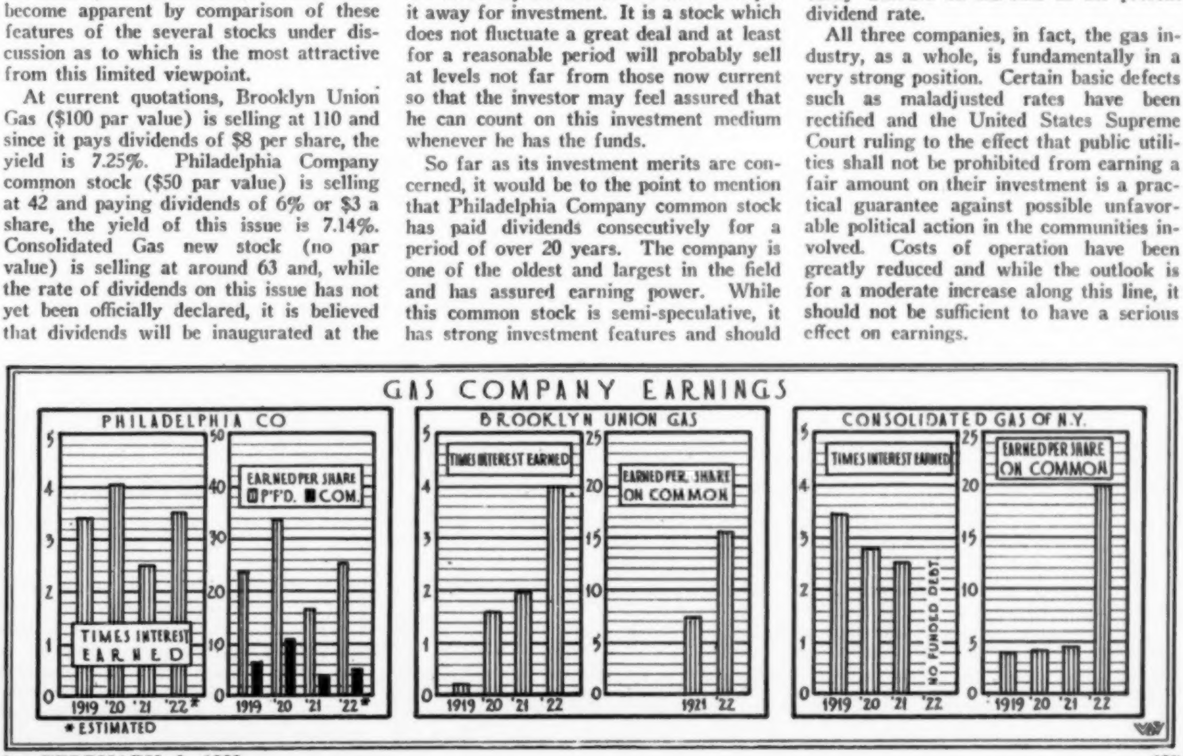
So far as its investment merits are concerned, it would be to the point to mention that Philadelphia Company common stock has paid dividends consecutively for a period of over 20 years. The company is one of the oldest and largest in the field and has assured earning power. While this common stock is semi-speculative, it has strong investment features and should undoubtedly prove a very satisfactory investment if held over a period of years. It also contains possibilities of higher dividends.

As we go to press, announcement is made of the placing of Consolidated Gas common stock on a $5 dividend basis. This necessarily makes the stock much more attractive at current prices than it was on the assumed $4 dividend basis.

Brooklyn Union Gas would prove an equally satisfactory investment at its current price were it not that, selling at considerably over par, it is not within reach of the small saver.

For those, however, who have funds available there are few better investment mediums among public utility common stocks. In the past year, the company earned nearly twice dividend requirements and its financial position is such as to easily warrant an increase in the present dividend rate.

All three companies, in fact, the gas industry, as a whole, is fundamentally in a very strong position. Certain basic defects such as maladjusted rates have been rectified and the United States Supreme Court ruling to the effect that public utilities shall not be prohibited from earning a fair amount on their investment is a practical guarantee against possible unfavorable political action in the communities involved. Costs of operation have been greatly reduced and while the outlook is for a moderate increase along this line, it should not be sufficient to have a serious effect on earnings.



Petroleum

White Eagle Oil & Refining Co.

Company Continues to Forge Ahead

Record of 1922 Earnings—Dividend Policy of the Company and Outlook for the Stock

By A. T. MILLER

FOR a description of White Eagle Oil's properties, readers are referred to the last formal analysis of the company which appeared in the May 13 issue. Incidentally, quoting from the conclusion of that analysis—"This issue is one of the more substantial ones among the independents and its record entitles it to a good rating. It should sell materially higher"—it is apparent from comparison of prices then obtaining for the stock and high prices reached subsequently that the position taken by the writer was fully justified. White Eagle Oil stock sold last May at around 25 and since that time has sold as high as 33 which would have afforded a good profit to readers who acted on the recommendation.

Progress of Earnings

As indicated by the accompanying table, with the exception of the last quarter of the year, when estimated earnings slumped slightly, the company showed a steady increase in earning power. In the first quarter of 1922, for example, White Eagle Oil earned a net income of about $468,000, equivalent to about $1.50 a share on the then outstanding stock; in the second quarter, net income advanced to $965,000, equivalent to about $3.00 a share; in the third quarter, net income increased again, the amount being $1,082,000, equivalent to about $3.40 a share and in the final quarter, net income amounted to about $800,000 (estimated) or about $2.50 a share.

These figures are given before charges for taxes, depreciation and depletion, the company's final statement for the year not having been published up to the time of this analysis. Total net income per share before taxes, depreciation and depletion amounted to over $10 a share. It is, of course, difficult to assume what the company will charge off for depreciation and depletion but a fair guide may be had from charges in 1920 and 1921 which amounted to $773,000 and $737,000 respectively.

Assuming 3.3 millions net income for 1922 and deducting $750,000 for depreciation and depletion, this would leave about 2.56 millions net income before taxes. Deducting further for miscellaneous items such as taxes, interest on purchase money obligations, car trust certificates, and equipment trust certificates, an amount of about $300,000, this would leave for the stock roughly 2.2 millions on the 320,000 shares of stock outstanding at the end of the year. (Subsequently there was a stock dividend of 25% or 80,000 shares.) This would be equivalent to about $7 a share on the stock. On the basis of the 400,000 shares now outstanding (320,000 shares plus 25% stock dividend), last year's earnings would have been equivalent to about $5.50 a share, or nearly three times the current dividend rate of $2.00 a share annually.

Last December, the 25% stock dividend was declared with the regular cash dividend maintained. Unlike most stock dividends, this dividend was of real importance to the stockholders who received the dividend, as it brought up their cash return to $2.50 a share instead of $2.00 a share. That the company is easily in a position to maintain the current rate of dividends of $2.00 a share is indicated not only by last year's earnings and its outlook for 1923 but by the impressive strength of its balance sheet, indicating a ratio of current assets to current liabilities of nearly 3 to 1. Included in the balance sheet is 750 thousands in cash and Government obligations.

Current Obligations

This year White Eagle Oil will have to meet $160,000 in purchase money obligations and $100,000 equipment trusts. It has $400,000 outstanding equipment trusts which are to be paid off $100,000 annually commencing May 1 this year. Neither obligation should work hardship on the company. Considering the stability of its business (it is the second largest factor in the gasolene production of Kansas) and its record over the past few years, earnings should easily be sufficient to meet current note obligations and leave a handsome balance for dividend distribution.

The company's properties are considered in good physical condition. The policy with regard to depreciation and depletion is conservative, an item of 1.5 millions having been set up as a reserve for depletion and 985 thousands for depreciation. Total fixed assets (properties) are valued by the company at 11.3 millions, so that the combined reserve for depreciation and depletion of 2.5 millions, or 22%, is quite ample considering that the company makes its annual charge-offs for this purpose in addition to having the reserves mentioned.

Conclusion

So far as the investment position of the stock is concerned, it would appear that it is worthy of respect. For an oil company, this issue has a demonstrated stability of earnings. The stock has a book value of $25 a share or about the present market price. The company keeps its books very conservatively and stated book value is a very conservative estimate of its real value.

At present levels the stock yields over 8% and is selling out of line with other oil stocks, some of which have less merit. Present uncertainties in the market may exert a temporarily unfavorable influence on the stock marketwise but its long-range outlook appears bright.

HOW WHITE EAGLE OIL'S EARNINGS HAVE INCREASED

	March Quarter 1922	June Quarter 1922	Sept. Quarter 1922	Dec. Quarter 1922
Sales	$2,398,979	$3,788,205	$4,018,413	....
Costs and expenses	1,927,417	2,812,591	2,905,401	†........
Profit	$471,562	$975,614	$1,113,012	....
Other income	37,177	49,449	44,702	†........
Total income	$508,739	$1,025,063	$1,157,714	....
Miscellaneous charges	10,020	59,172	75,705	†........
Net income	*$468,719	*$965,891	*$1,082,009	‡$800,000

* Before depreciation. † Detailed figures not published yet. ‡ Estimated.

Atlantic Refining Company

That 900% Stock Dividend

Why Atlantic Refining Sells at High Prices

By J. WILSON THORNE

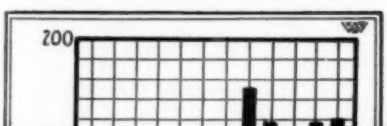
AMONG the Standard Oils, Atlantic Refining has always been a leader. For example, its shares have always sold higher than those of any other Standard Oil Company. At the same time, it has earned more per share than any other member of the group while its dividend disbursements until very recently have been on a very modest scale, even for a Standard Oil Company.

The amounts earned by this company have been on a stupendous scale for many years. This will be seen from examination of the following table showing per share earnings since 1912:

Year	Earned Per Share
1912	$146.00
1913	76.20
1914	19.80 (def.)
1915	111.80
1916	192.60
1917	226.30‡
1918	343.20‡
1919	238.40‡
1920	196.30‡
1921	100.70 (def.)‡
1922	45.00 (est.)

‡ Net profit before Federal taxes but after deducting for taxes at 1922 rate.

Average earnings for this 11-year period amounted to about $140 a share against which only about $15 in yearly average dividends have been paid out. In other words, in the past eleven years, the company has earned about $1,540 a share and has paid out only $150 a share, returning $1,390 a share to the company. It is evident from this (see accompanying graph) why the stock should have been selling so high for so long a period of years.



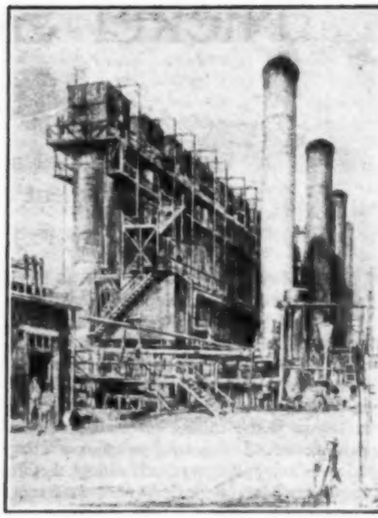
Prices for all years adjusted to basis of Stock now outstanding (900% Stock Dividend Dec. 1922)

Toward the end of last year, Atlantic Refining declared a 900% stock dividend, so that investors were given 9 shares extra in addition to each share held. This increased the outstanding common stock from 5 to 50 millions, using up the authorized but unissued capital of 45 millions. Atlantic Refining, at the same time, increased its cash dividends from $20 on the old outstanding stock to $4 a share on the new outstanding stock, in effect, increasing the dividend from $20 a share to $40 a share.

In the past several years, the company had to do some financing, issuing 20 millions of 7% cumulative preferred of $100 par value. It also sold 15 millions in noncallable debentures bearing a 5% interest rate and falling due July 1, 1937. This latter bond financing was for the purpose of refunding its 6½% bond issue which was called last September, the company therefore not increasing its funded debt.

In comparing Atlantic Refining with two other important Standard Oil companies—Vacuum Oil and Standard Oil of New York—it is evident that the company stands in the lead in practically every respect, as concerning shareholders. Thus Atlantic Refining has earned in the past eleven years (or since dissolution of the old Standard Oil Company of New Jersey) 5½ times as much as Vacuum and almost five times as much as Standard Oil of New York. At the same time, though earning 5½ times as much per share as Vacuum, it has paid out in dividends only three times as much as the latter company; also, while it has earned during this period nearly five times as much as Standard Oil of New York, it has paid out less than twice as much to stockholders. To put it another way: Atlantic Refining in the past eleven years has paid out in dividends less than 10% of earnings; Vacuum Oil has paid out about 15% and Standard Oil of New York has paid out 27%. All three companies have been niggardly with dividends, a customary thing with the Standard Oils, but Atlantic has been even more niggardly than the others. This, of course, means that Atlantic Refining shareholders will eventually receive more in dividends than either of the other two companies. At the same time, however, it is well to point out that Atlantic shares sell for around 140 in the market, whereas Vacuum and Standard of New York shares are much lower, being 45 and 46, respectively. There is a reason, therefore, for the comparatively high price of Atlantic shares.

Asset value of these shares is estimated at around $150. On the basis of the present dividend of $4 annually, the stock at current prices of 140 yields very little, the return to the investor being less than 3%. However, this is a characteristic of Standard Oil shares which are comparable to bank and insurance company stocks from the viewpoint of smallness of yield of their shares. Shareholders in such companies, however, are rewarded from time to time either by means of large extra dividends or "rights" to subscribe which are always valuable.



Part of the magnificent equipment of the Atlantic Refining Co.

Few investors buy Standard Oil stocks for the sake of immediate return and they are always content to wait for the inevitable and eventual "melon-splitting." How investment in Atlantic Refining would have turned out if the shares were bought ten years ago when they sold at an average of 65 (on the present basis of common stock capitalization) can be seen from the fact that they have since gravitated to as high as 174 during which period the company paid out what were in the aggregate large dividends.

As to the present position of the shares, it would appear that since they have already had a very large rise since the low point of 1922 when they sold at around 90, they are no longer in such an attractive speculative position as formerly. Wealthy investors, however, who are content to bide their time, will still find this a suitable vehicle for long-distance investment purposes. The 7% preferred stock is a high-grade investment but its yield at current prices is not attractive except for the most conservative investment purposes.

Mining

International Nickel Co.

Nickel Still Losing Money

Improving Sales a Hopeful Feature —Disarmament a Depressing Factor

By F. J. HAWKES

THE International Nickel Co. is in the paradoxical position of controlling, by virtue of a natural monopoly, the supply of an essential metal and yet running at a deficit for the past five quarters, with the possibility that a sixth may be added to the set. The fundamental fact here is the falling off in the demand, as a result of the accumulation of huge stocks during the war, all along the line from smelters to dealers and consumers. These stocks hung over the industry from the armistice on, but during the 1919-20 boom did not affect the situation so seriously as later, since the company was able to make some sales to consumers who were afraid that otherwise they might run short of stocks. With the acute depression of 1921, however, the period of deficits set in as sales diminished to a million pounds of nickel a month, compared with 3-4 millions monthly before the war and 8 millions at the peak.

NICKEL'S 10-YEAR RECORD

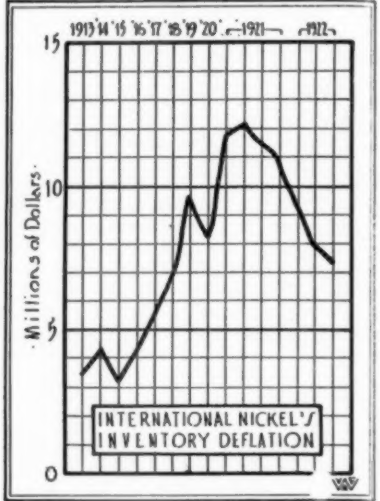
	Earned Per Sh. of Com.	Paid Per Sh. of Com.
†1913	$16.66	$13.00
1914	11.20	10.00
1915	13.32	12.50
1916	*6.83	5.75
1917	7.78	6.25
1918	5.79	4.50
1919	3.22	2.50
1920	1.32	.....
1921	0.89	.....
1922	‡0.80	.....

* Stock of $100 par split up into new stock of $25 par at 4 to 1.
† Fiscal years ending March 31.
‡ Deficit.

Improvement is being registered in this respect, sales of nickel now running at the rate of 2 million pounds a month, or about the amount necessary to enable the company to cover its expenses. This compares unfavorably, however, with the previous figures, and unless further improvement is registered shortly there will be little for stockholders to look forward to.

Operating Economies

The hard times of the past year and a half have compelled the company to institute certain operating economies commensurate with the smaller scale of operations. Refining operations, formerly carried out in the two plants at Bayonne, N. J., and Port Colborne, Ontario, have now been concentrated at the latter plant, and actual mining operations are going on at only one of the three mines of the company, the Creighton, near Copper Cliff. This mine has ore reserves estimated at 20 million tons, which should suffice for nearly twenty years' operation of the smelter at capacity rate of 3,500 tons a day, and is said to constitute the richest single source of the metal in the world.



Apart from nickel and copper, the two great products of the Creighton mine, the company is greatly interested in the production of Monel metal, an alloy of the two together with carbon, manganese and silicion, found together in the form of ores in the Canadian deposits, and hence automatically produced when the combined ore is smelted. The company has erected within the last year a rolling mill at Huntington, W. Va., costing 3 millions, which is now turning out about a half million pounds of Monel metal monthly. This alloy is resistant to chemical corrosion, is as strong as steel, and is ductile and malleable, so that it is being employed in continually increasing uses for such different purposes as engine parts, propellers, mining and chemical machinery parts which come in contact with acids or alkalies, automobile fittings, golf-club heads, roofing, wire netting and screens, and many more. The company's greatest chance for expansion lies in increasing the utilization of Monel metal, which it

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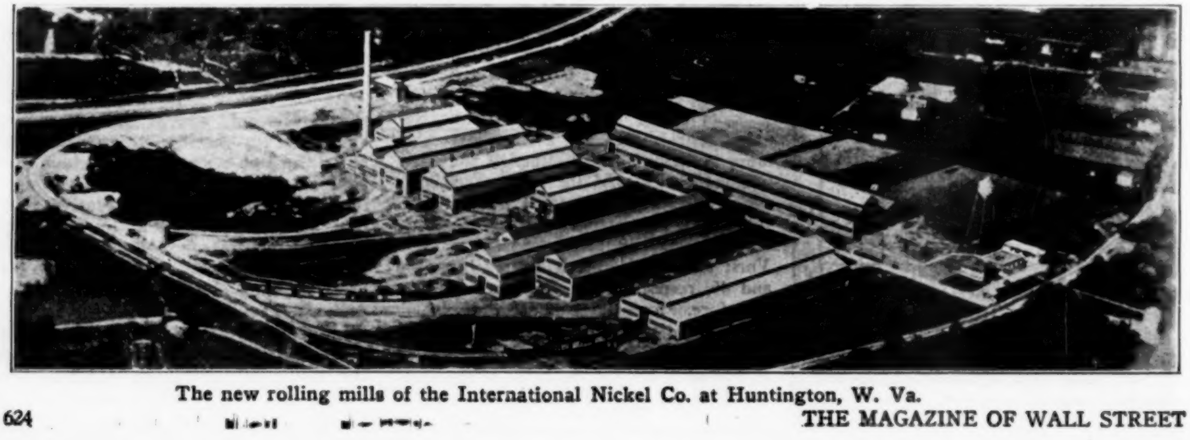


The new rolling mills of the International Nickel Co. at Huntington, W. Va.

National Lead Company

Stock in New High Zone

Trade and Market Position Contradictory—Is New Dividend Basis Permanent?

By F. R. KEYES

THE NATIONAL LEAD CO., founded in 1891, was one of the earliest and most successful examples of the great "trust." Two years after incorporation, it was on a sound earnings basis which allowed it to pay dividends with only a few interruptions, until the present time. Last November, the stock was put on an $8 basis, the highest rate it has ever paid, and has correspondingly been selling for several months now at the highest levels in its history.

It is only partly a lead producing company, mining about 15-20% of the lead it consumes. It manufactures a large variety of products, mostly lead oxides and other compounds of lead for use in the most varied industries, and also lead alloys, such as type metal, solder and bearing metals. It also makes articles of metallic lead such as piping, wire, sheet and bar lead, etc. From the use of linseed oil in combination with white and red lead it has branched out into a large vegetable oil business.

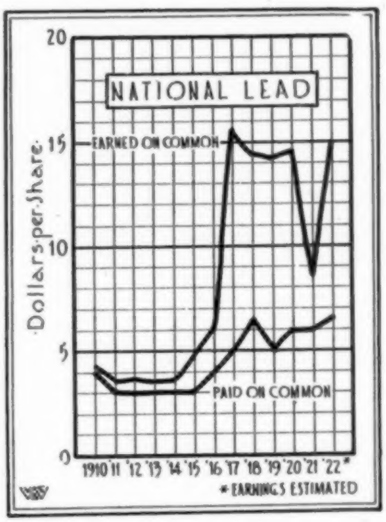
Varied Prospects

As its products are used by many different industries, whose outlook for the current year may differ widely, there are contradictory elements in the trade outlook for the company. For instance, the building industry uses the plumbing materials turned out by National Lead, white and red lead for painting and glassmakers' oxides and putty for glazing. It is thus a large customer of the company, and as the outlook is for a less active year in the building trades in 1923 than they had in 1922, some of the business from this source may fall off. On the other hand, the tire industry, which also uses a large part of the oxides turned out by the company, is expected to do much better in the current year than it did last, so that business in this line should increase.

In addition to lead, the company has recently expanded its interests in two other metals, tin and titanium. It is the second largest user of tin in the country, requiring it for alloys used in bearings, solders, etc., and has recently been assured of a steady supply through the purchase of a controlling interest in the largest Bolivian producer, the Llallagua Mines. It has also bought a half interest in the Titanium Pigment Co., which manufactures titanium oxide, a substance having valuable covering properties in painting, analogous but superior to those of white lead.

In addition to 8.6 millions of bonds of subsidiary companies, the capitalization consists of 24.4 millions of 7% cumulative preferred and 20.7 of common, of $100 par value. The preferred, it is interesting to note, is callable at par. As it is selling around 114, and the working capital for the last five years has been in excess of the par value of the total issue of preferred, it would not be at all surprising to see some way arranged for the retirement of the senior issue.

The earnings of the company fluctuated considerably from the time of incorporation until about 1905, ranging from a deficit of $156,000 to profits of nearly $3 a share. From 1905 till the war boom,



which commenced for this company in 1917, earnings averaged $4-$5 a share annually, with small variations in either direction. From 1917 to 1920 the earnings averaged $14.69 a year, though comparisons are not strictly accurate, as after 1918 the earnings of a number of subsidiaries are included in the income account which had not been so carried before. In 1921 earnings dropped to $8.60 a share, and in the course of last year, while official figures are not available, are understood to have approached, if not exceeded, the boom-time average.

Up to 1918 the company had included in its income account only that part of its subsidiaries' income which was paid over to it as dividends, leaving the rest in the individual surplus accounts of the subsidiaries. The latter amounted at the end of 1917 to 6.7 millions, while the parent company's own surplus at the time was 8.3 millions. By the end of 1921 the combined surpluses had been increased to 20.9 millions.

From the end of 1916, when surplus amounted to 6.2 millions to 1921, the company increased its working capital by 19.5 millions, largely because of an increase in the inventory account by 13.2 millions during the period, this item totalling 20.6 millions as of the end of 1921. While this is the highest that the item had ever reached in the company's history, it is understood to be conservative in that metallic lead is carried at 3.4 cents a pound, whereas at the beginning of 1922 pig lead was selling at 4.70 cents, and by the end of the year at 7 cents.

Part of the increase in inventory was financed during 1920 by a bank loan of 4.4 millions, but this was largely paid off during 1921, so that at the end of the year there were left only $588,000 which, it is understood, were paid off in the course of 1922. Working capital at the end of 1921 was 30.8 millions, or nearly $150 per share on common.

The company's dividend policy has been fairly conservative, as will be seen by reference to the attached graph. During the height of the war boom, payments were not more than 6½% in any one year, including disbursements for charity. The recent increase to $8 a share, however, has raised the question of whether distributions on this basis can be maintained indefinitely. It is well above the pre-war earnings average of the company, and after making proper allowance for the addition to the property account of the plants of subsidiaries, it does not seem likely that the company's capacity has been increased very much over that of pre-war times. Unless the margin of profit has been permanently broadened, therefore, it would seem the part of caution for the intending investor to allow the common stock to be seasoned on its new dividend basis.

Caution would especially seem to be called for as the stock is selling in record high zones for the company's history. At present prices around 124 the yield on the $8 rate is about 6.45%, which is quite low under the circumstances. The preferred, paying 7% and selling at 114, yields 6.14%, and runs the risk of being called in sooner or later at par. **In spite of some talk pointing to the possibility of a stock dividend on the common based on the surplus of over 23 millions, or of the improvement of the position of the junior stock by the retirement of the preferred, neither issue, from a price viewpoint, is in a particularly attractive position at the present time, intrinsically sound though they both are.**

IN THE BANKING WORLD

Conducted by
H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

Problems of Federal Reserve Board

The Question of General Policy

PRESIDENT HARDING'S action in sending to the Senate the names of appointees to fill the vacancies of the Federal Reserve Board probably means that within the near future the membership of the Board will be complete. As soon as the Senate has acted upon the nominations and the members are definitely installed, the practical interregnum which has existed since the 10th of last August will have come to a close. It will then be possible for the Board to resume work and to begin to deal with several problems of first class importance upon which no verdict could be had until the new nominations were decided upon.

Character of Interregnum

This does not mean, of course, that the Federal Reserve Board has been idle since last August. It has continued to hold regular meetings; and the Comptroller of the Currency, who now becomes Governor of the Board, has been a member of the organization and of course in attendance upon its sessions. Routine work has, therefore, proceeded as usual, although from time to time it has been very difficult to get a quorum (while there has been doubt whether a quorum of the old membership was really a quorum of the Board as enlarged by Congress), it has nevertheless been possible to keep things moving in a routine way.

Of course, it was out of the question for the Board to pass definitely upon questions of policy. Had it sought to do so, it would probably have found the difficulty of putting its views into effect too great to permit any action in those cases in which there was opposition from the Treasury authorities, or in which there was difference of opinion between the Board and any influential interest connected with or represented by the Federal Reserve Banks. Altogether, therefore, the Board has practically been under the necessity of deferring decisions, recommendations to Congress, and other matters of general import. It has not yet prepared or transmitted a report to Congress covering the operations of 1922, and asking for such legislative changes or foreshadowing such new policies as may be deemed essential. It is true that in years past the publication of this report has always been rather late, while it is further probably true that the expectation that the Controller of the Currency would become Governor of the Board has rendered him an influential factor in such work as has been done toward the shaping up of the 1922 document.

Work to Be Done

When all allowances have been made, however, it is still the fact that the Board has uttered no recent expressions of opinion or statements of general policy, and that a very large amount of accumulated work is now expected of it by the community. Included in this work awaiting attention are the following important items: (1) Formulation of a discount rate policy and readjustment of discount rates to correspond therewith; (2) determination of general attitude toward legislation pending in Congress at the present time and particularly toward proposed amendments to the Reserve Act, some of which have been incorporated in the Rural Credits Bills. There is thus far no indication of the Board's attitude on these points; (3) decisions as to possible modifications of present policy in connection with commercial paper, particularly acceptance paper, on which several tentative rulings have lately been issued; (4) consideration of present foreign relations and establishment of a gold reserve policy. There is a multitude of detail which requires thought and study beyond the broad general questions thus indicated, but those enumerated are no doubt the significant matters to which attention must be given in the early future.

Personnel of Reorganized Board

A number of these issues are extremely controversial. For some time past, there has been a fairly sharp division in the Board between low rate and high-rate influences and considerable differences of view as to the theory of discount rates and the effect of such rates upon commodity prices. The Controller of the Currency, who now becomes Governor of the Board, is expected to be a low-rate man. The leanings of the new Controller and of the dirt "farmer member" are not definitely known, but the probability appears to be that at least one of them will favor the low-rate idea. If only one of them does so, opinion in the Board will be pretty evenly divided between those who instinctively incline toward lower rates and those who on the whole are disposed to favor high rates. The decision may be rendered practically by Secretary of the Treasury Mellon who would naturally be expected to vote for low-discount rates because of the fact that the Administration is on record to that effect. In fact, Mr. Mellon is regarded by many as in favor of high rates rather than low.

The issue, however, in the Board is almost certain to be very close, and the wishes of the reserve Banks themselves one way or the other will undoubtedly have large influence. As the reserve banks themselves are not altogether unanimous in regard to a rate policy, this may make a somewhat difficult situation. Very much the same division of view is likely to prevail as regards the question of gold on hand and the way in which it should be used. There are some who advocate the paying out of the gold in the way demanded by the Treasury Department, while others believe that it ought to be conserved against possible future demands. One member of the Board has already developed and has advocated a "plan for a

super reserve" which would take a good deal of the gold out of the actual available resources and would segregate it in a special fund, protecting notes or otherwise subject to prompt export when occasion demanded.

Problem of Foreign Relations

This problem of our foreign relations is likely to give rise to continuous trouble as long as the situation abroad continues to look as if a restoration of convertibility could be brought about only through the use of gold now held in the Reserve System. While that is the case, schemes of various kinds to restore the solvency of the European banking systems by making use of our resources will be practically certain to come forward from time to time. It was because of a fear that dangerous schemes of one kind or another would be adopted by Congress with a view to using up the immense gold reserve that Treasury sub-officials originally devised the plan for getting the banks to pay out gold into actual circulation.

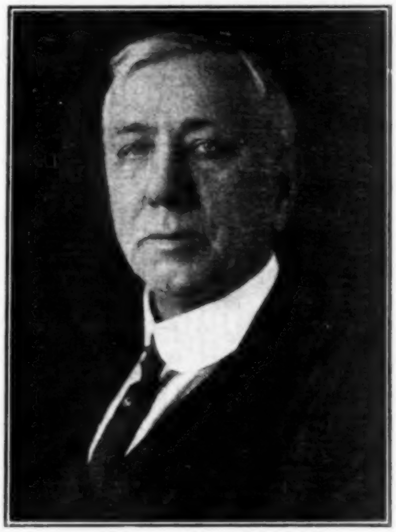
Equally hazardous proposals are being constantly made from various sources, and the question how far they will be resisted is of some interest. The new Governor of the Board is understood to be considerably interested in the "stabilized dollar" and in methods of bringing about stabilized exchange. But whether he will think it wise to devote the Board's or System's effort to any such purpose is, of course, another question. Still it is undoubtedly "open season" now for currency and banking schemes of all sorts and probably also for stabilization ideas.

There has been no announcement and so far as can be ascertained there exists no knowledge as to the views of the new Governor with respect to what is called "politics." Other members of the Administration have within the past year sought to force the appointment of politicians to important places in the system. Doubtless these same men will endeavor to work through the new members for the realization of their schemes. How far they will succeed will depend chiefly upon the new Governor of the Board who, of course, has direct oversight of the organization and management of the system as well as of personnel, in so far as the latter subject is dealt with by the Board itself at all.

Undoubtedly most of the reserve banks will look with some apprehension for indications of the policy which the Administration intends to follow in this regard as showing whether there is an intent to give especially good places to favorites who feel the need of "plums." As most of the work in the approval of salary changes and the more important appointments has already been done at the year-end there may not be very extensive opportunity for a test of this kind between now and the close of 1923.

Significance to Member Banks

The whole situation is full of the utmost significance to member banks, especially when it is remembered that the attitude to be adopted as regards the discount rate must be made known soon and when so made known will have a very direct bearing upon their profits. Banks have lately tended to leave the system in considerable numbers and one of the first problems is likely to be that of heading



DANIEL R. CRISSINGER

Newly appointed Governor of the Federal Reserve Board

them off and in some way making it attractive or worth while for them to remain in the system. This may or may not be feasible. If it is not a decline in the popularity of the System will be the only alternative. Controller Crissinger has already attempted to placate national banks by permitting the establishment of "offices" in lieu of branches. But the banks are likely to demand from the Governor of the Federal Reserve Board a more definite expression as regards his view of branch banking and this may lead to the formulation of a clearer policy at a comparatively early date. The Board during the past year has been working in opposition to the development of a general branch banking policy such as the California banks have sought to establish within their own state. This has gone forward at the same time that the Controller was encouraging the local establishment of offices by the larger national banks.

Future Confused

There is enough uncertainty regarding the trend of thought among the new members of the Board to render the outcome very doubtful, on all these points. Management of the Reserve System had become a highly specialized and technical task. It cannot be taken up offhand with any degree of success. Two of the new members are men who apparently have not been brought into contact with it at all; a third had devoted only casual attention to the more difficult aspects of the system. Of the older members, one or two are comparatively recent appointees who are not especially familiar with the more fundamental problems which the system has had to face. The Federal Reserve Board thus enters upon what is practically a new period of its development in which it must undertake to cope with many factors of the utmost difficulty while its membership is in part composed of men who will be getting their experience in finance for the first time. This undoubtedly makes the year 1923 a very anxious period for those bankers and business interest which consider themselves in any way dependent upon Federal reserve policies.

Congress Settles Down to Work

Important Action on Personnel, Farm Credit Bank Reports and Taxation

Washington, Jan. 25.

PRESIDENT HARDING'S nominations to the Federal Reserve Board have encountered a serious obstacle, due to the objections raised by the Senate Committtee on Banking to the proposed appointment of James B. McNary of New Mexico who has been charged with having obtained loans from the banks which he controlled which were not sanctioned by the National Banking Act. The matter has been under advisement for some time past, and even if a favorable committee report should be obtained by a majority vote, the apparent prospect now is that there will be a disposition to oppose the appointment on the floor. Southern members of the Senate have been dissatisfied because of the fact that the new nominations did not include the name of any Southern man, and they are desirous of obtaining at least one such appointee in the list of new places. Whether they would be willing to see the Controllership of the currency assigned to them, instead of the place on the Federal Reserve Board which they had heretofore claimed, is not certain; but apparently they would regard it as better than nothing and are accordingly disposed to demand that it be allotted to them if there is nothing more to be obtained.

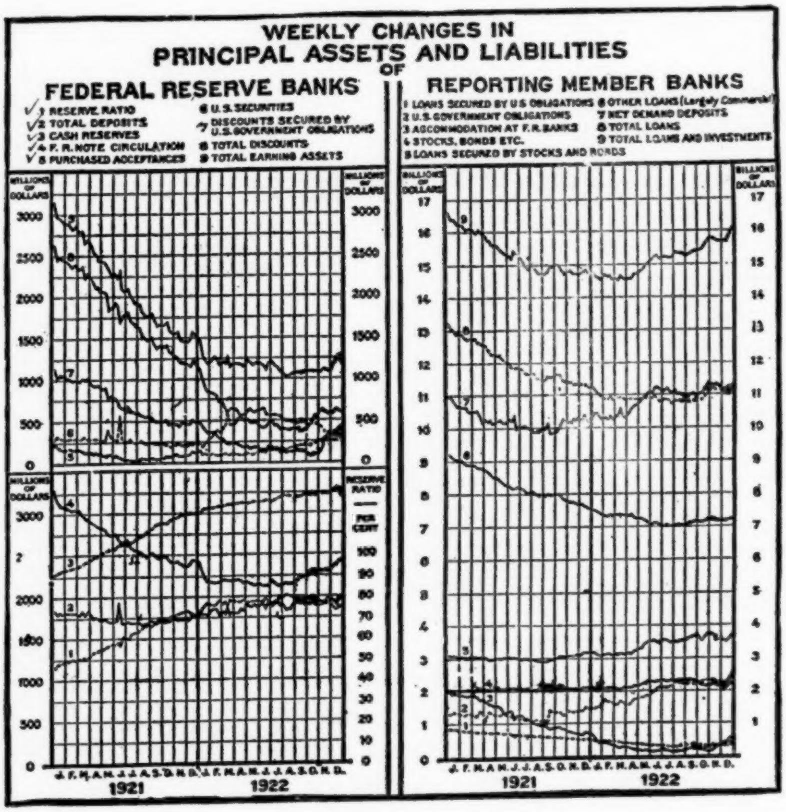
Important Legislation

Important legislation has made progress during the past ten days in both branches of Congress. The so-called Capper farm-

(Please turn to page 630)

·SERVICE·SECTION·

The Banking Situation



I N common with the business outlook, that in credit and in banking is showing tendency toward reversal, or at least suspension of the forward movement. During the last month of 1922, there were some distinct signs of inflation, and all over the country there was indication of a disposition to make larger and longer term commitments, and to embark upon an effort to "boom" prices and business. This tendency is now temporarily "held up," although how long such a recession will continue is not certain.

Reaction in Bills Discounted

The significant figure in the Federal reserve statement—the quantity of bills discounted—has now for some two weeks past shown recession. City banks report that it is not necessary for them to discount heavily, or in some cases at all, in order to meet the demands of their customers, while country banks have lately undergone some slackening of demand, or at all events are expanding less rapidly than was previously true. At the same time, there has been a further increase both of gold involved and of the reserve ratio with a sagging tendency in reserve notes and in outstanding deposits. All this reflects a general relaxation of the calls that have been brought to bear upon the resources of member institutions, and shows that Federal reserve banks are hesitating in future policy.

Members Continue to Increase

There is still an upward tendency among many of the members of the Federal reserve system, both as regards deposits and loans and discounts. This growth,

(*Please turn to page* 655)

FEDERAL RESERVE BANKS

(In millions of dollars.)

Date	Cash reserves	Bills discounted, total	Government securities	Total deposits	Federal reserve notes in actual circulation	Reserve ratio
Nov. 1	3,211.9	587.7	360.3	1,914.2	2,309.2	76.0
Nov. 8	3,211.2	640.4	346.5	1,862.6	2,340.0	76.4
Nov. 15	3,204.7	652.8	325.7	1,939.5	2,321.2	75.2
Nov. 22	3,213.6	614.1	295.1	1,889.9	2,299.3	76.7
Nov. 29	3,202.8	650.0	304.4	1,860.2	2,329.8	76.4
Dec. 6	3,172.9	704.9	311.8	1,910.1	2,361.2	74.3
Dec. 13	3,184.8	659.7	307.2	1,861.1	2,379.1	75.1
Dec. 20	3,156.7	615.5	431.2	1,881.9	2,456.7	72.8
Dec. 27	3,148.8	629.8	457.8	1,900.2	2,464.1	72.1
Jan. 3	3,162.8	627.6	456.5	2,024.7	2,411.0	71.3
Jan. 10	3,187.2	512.0	508.1	2,019.8	2,312.6	73.6
Jan. 17	3,214.1	513.3	412.4	1,969.5	2,256.5	76.1

REPORTING MEMBER BANKS

(In millions of dollars.)

Date	Number of reporting banks	Loans and discounts	Investments	Rediscounts and bills payable with Federal reserve banks	Ratio of accommodation (4÷2+3)	Net demand deposits
Nov. 1	786	11,274	4,539	339	2.2	11,188
Nov. 8	786	11,265	4,524	395	2.4	11,133
Nov. 15	785	11,233	4,540	402	2.6	11,126
Nov. 22	784	11,189	4,528	360	2.3	11,038
Nov 29	784	11,218	4,542	381	2.4	11,094
Dec. 6	784	11,246	4,538	450	2.9	11,010
Dec. 13	784	11,258	4,531	396	2.5	11,111
Dec. 20	782	11,281	4,834	352	2.3	11,186
Dec. 27	782	11,328	4,822	369	2.2	11,255
Jan. 3	783	11,500	4,740	390	2.4	11,527
Jan. 10	781	11,478	4,687	289	1.8	11,595

BANKING INDICATORS

Discount rate at Federal Reserve Banks 4-4½%

Commercial Paper in New York Market Jan. 26 ....4½-5

Reserve Percentage Fed. Reserve System Jan. 25 ....76.4

Reserve Notes Outstanding Jan. 25 ....$2,184,001,000

Bank Rediscounts (with F. R. Banks) Jan. 17 ....$291,400,000

Sterling Exchange Index Federal Reserve Board 94.73

Net Gold Impts. December....$26,439,000

Commercial Paper Rate London (bankers three months bills) Jan. 17.........2¾

Wholesale Price Index (London Economist) Jan. 7 (for end Dec.)......193.8

Reserve Percentage Bank of England, Jan. 25 ....19.90

·SERVICE·SECTION·

Trend of Money, Prices and Credit

Price Level Apparently Stabilized—Call Money Lower

EXPERIENCE during the past two weeks has undoubtedly shown the existence of a distinct tendency toward hesitation bordering upon reaction in the development of prices and credit. The Bureau of Labor Statistics index made public on January 18th for the month of December remains stationary with that of the preceding month at 156, showing no change. The figure of the Federal Reserve Board indicates a slight variation but nothing of importance. The commercial price index furnished by Bradstreet and herewith plotted shows the same tendency toward stability although the index is normally rather more sensitive than those issued by the Government. It now stands at 164 or practically identical with the preceding month.

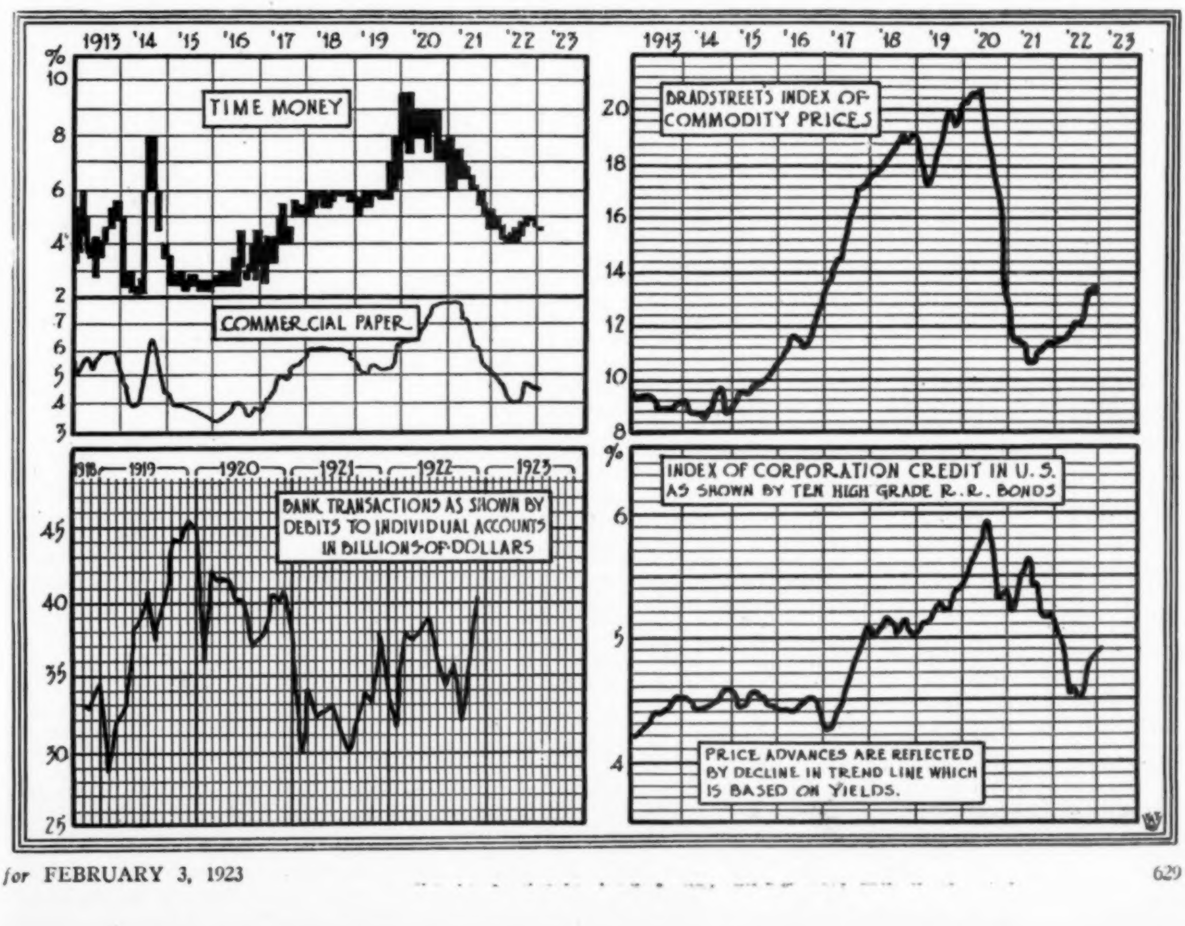
Meaning of Price Stability

This is a very striking situation in view of the fact that prior to the first of January the price movement had been pretty steadily upward for about six months. Although the advance during that time was nothing to compare with the enormous war price advance, it was an advance which in ordinary times would have been considered almost startling, amounting as it did to from 20 to 30 points (according to method of computation). Now this advance is brought to a close because of the change in conditions of industry and credit. Will it continue further? Most forecasters have been of the opinion that it would, but this was based upon the assumption that business was going to increase in volume. Such an increase is not likely, unless there should be a decided improvement in foreign trade, but unfortunately foreign trade is now declining rather than increasing as measured in units of volume rather than in dollars. Even as measured in dollars, there was a very sharp decline between November and December as the figures now made public show. Thus there is a decided basis for forecasting hesitation in output, and consequently hesitation in prices and apparently a stable condition of the index number resulting therefrom as a result.

Call Money Cheaper

Quite in line with this situation has been the apparently lower tendency of call money, accompanied although in a lesser degree by commercial paper and time money. There is usually some reaction after the middle of January in these fields. This season it is indicated by a distinct downward drift in call funds, while at the same time longer period charges have gone off a quarter to one-half a point, and there has been a shrinkage of nearly that amount in the very best grades of commercial paper.

Other classes of commercial paper have not felt the recession in like measure, but it is probably fair to say that the situation is on the whole



"easier" or weaker than it was at the end of December and the beginning of January. This state of things is directly traceable to a slackening in the demand for commercial funds, which has released money at commercial banks, and has resulted in sending it to the New York market for the purpose of taking advantage of opportunities for its use in the investment field.

The general factors of the situation point to higher rates for money, and have done so for some weeks past. But the immediate or short time influences have unquestionably restrained this upward trend, and have practically halted it for the time being. This is a direct reflex of uncertainties as to the condition of business.

Basis of Borrowing

The effect of these conditions has been to change, to some extent, the basis of borrowing for commercial enterprises. Funds have been prevented from going into foreign undertakings, by reason of the doubt that has existed concerning this phase of business. On the other hand, the hesitation that has been felt concerning domestic prospects has in some measure tended to restrict the growth of calls for investment funds in certain lines. In consequence, the terms of refunding issues have been slightly more favorable; or, as shown in the accompanying chart, there has been a moderate tendency to decline in the prices of old bonds bearing a fixed rate, due to the fact that corporation credit was becoming somewhat more reasonable; so that, just as price advances are reflected by a decline in the trend of the plotted line, so price reductions are reflected by the increase in trend.

Corporation offerings of unquestionable nature have a better prospect now for commanding the market, but the less solid and substantial issues are looked at somewhat askance by the rank and file of investors who have developed a rather wary point of view. The very small change shown by the chart reflects this hesitant attitude on the part of the public.

Activity of Credit

Credit was unusually active during the latter part of the year 1922, and was decidedly above the level of the preceding December. It still continues above the level of a year ago, although the rapidity of turnover has been somewhat "slowed down." It should be remembered in studying this line that it represents a composite product or combination of both retail and wholesale trade elements. At the present moment, very high wages in many lines, relatively out of harmony with the prices of the goods produced in those lines, have furnished a high buying power to certain elements of the community which are actively spending their funds, with the result that a rapid turnover of bank credit follows. As against this influence, is of course the failure of staple goods to move as freely, or in as great quantity, as they would in a more stable market situation, or with better foreign trade conditions. On the whole, the tendency of bank credit with respect to activity is to sag off from the levels recently attained during the holiday trading, notwithstanding that the generally better volume of business now in existence the country over, keeps the rate of use of such credit upon a higher level than formerly.

The general outlook in money prices and credit unmistakably reflects slight reaction and appears to point to the continuation of such reaction during coming weeks, although thus far the scope of the movement is not great. What is much more significant than the actual movement in the fact that the glowing expectations of high prices, high values for bonds, high foreign trade, and general "prosperity" in a new and enlarged edition have not only not materialized but show no sign of doing so.

CONGRESS SETTLES DOWN TO WORK

(Continued from page 627)

credit bill was adopted by the Senate on the 19th without very serious change and now goes to the House where it is believed that there will be no serious delay in forwarding it. The Capper bill has already been so fully reviewed as to require little further description. Its essential feature is the plan for the organization of corporations designed to provide so-called intermediate credit for farmers running up to about three years. Apparently a good deal of this intermediate credit is intended for use in fattening live stock, and it is reported that a number of live-stock loan associations which were organized for the purpose of cooperating with the War Finance Corporation, or which in some cases had been in existence before that organization sprang up, may be reorganized in such a way as to obtain charters under the provisions of the Capper measure, if that bill be ultimately sent to the statute book in its present form. Along with these discount corporations, there would be created other concerns for rediscount or for the sale of debentures representing the pooled assets of the associations which made direct loans to farmers and others.

Concerns of both classes would be given liberal rediscount facilities at reserve banks, the maturity of their paper being increased, while eligibility conditions would also be rendered much more lax than at present. Altogether, therefore, the Capper bill would be intended to draw funds from reserve banks on long term, at the same time that debentures were offered to the public. The Capper bill, however, has not been satisfactory to the more extreme farm credits advocates, and is to be followed by the so-called Lenroot bill which is now under consideration, and which is intended to provide still broader concessions to the farmer in the way of personal credit. It is not yet certain whether the Lenroot bill can succeed in passing, especially as the Administration has not supported it. The farm bloc, of course, is powerful, in the Senate, but not so well organized in the House and there is still a possibility that Congress may determine to defer all action in this regard to another session of Congress leaving the country first to digest the Capper bill as well as it can.

Change in the Bank Reports

Another measure which has now become law by the signature of President Harding is the Act reducing the number of reports required each year from national banks from five to three. There was, for a time, difference of opinion between the House and Senate with regard to some minor amendments, but eventually the terms of the legislation were so shaped as to make it an amendment to Section 5211 Revised Statutes and to require "not less than three reports during each year," according to the form which may be prescribed by the Controller. It is provided, however, that the Controller may, whenever he shall deem best, have power to call for special reports from any particular national bank "whenever in his judgment the same are necessary in order to a full and complete knowledge of its condition."

This bill has been greatly desired by many of the banks which have found the requirement of five reports each year extremely onerous and which for a long time past have been desirous of getting a reduction in the number. It is probable that the new bill would not have been adopted had it not been for the fact that Federal reserve banks now exercise so close a supervision over the affairs of the member banks both state and national that the more frequent furnishing of statements or reports is not necessary as it formerly was.

Bank Taxation

While Congress has not as yet adopted the bill which has been pending in the Senate (introduced by Senator Kellogg), providing that the states may tax the shares of national banks, it is expected that this bill will probably be adopted in

(Please turn to page 658)

SERVICE SECTION

ANSWERS TO INQUIRIES.

Industrial Securities

NON-DIVIDEND PAYING PREFERRED STOCKS

Several on Which Dividends May be Paid in the Near Future Because of Improvement in Earnings

In 1922, selecting the securities of companies that appeared to be on the up grade, I was able to take very good profits through the purchase of preferred stocks that were selling on a high yield basis. There does not appear to be any unusual opportunity in dividend paying preferred stocks at this time, as most of them have had at least the larger part of the advance to which they are entitled. I would like to have your advice in regard to possible opportunities in preferred stocks that are not paying dividends now, but which appear to have a good chance of being on a dividend basis in the near future, that is, six months or a year. I have plenty of patience if I get the right stock.—G. G. W., Allentown, Pa.

In carefully looking over the list of preferred issues that are not now paying dividends, we have found several that appear to be the class you mention, that is, likely to resume dividend payments in a year's time. American Water Works & Electric Co. participating preferred stock appears to us to offer the best immediate prospects for enhancement in value. Earnings for the 12 months ended November 30, 1922, were equal to over 11% on the participating preferred stock, which is entitled to dividends of 6%. With earnings on so favorable a basis, it would seem likely that dividends will be resumed on the stock in the near future, and at present levels of 50 it looks attractive.

Remington Typewriter 2nd preferred stock is entitled to 8% cumulative dividends and back dividends now amount to 14%. In 1922, operations were on a profitable basis and the company succeeded in clearing up all bank loans. It is estimated that both preferred dividends were earned and a balance left for the common in 1922. In November dividends were resumed on the 1st preferred, and as the outlook for the company's business is encouraging, dividends on the 2nd preferred are likely within a year's time. At present price of 80 the stock has good long-pull possibilities.

American Agricultural Chemical 6% preferred has 10½% back dividends due. This company was hard hit in the deflation period, but in spite of the large losses sustained, it is still in sound financial condition and the outlook for its business much improved. The preferred stock was formerly classed as a high-grade investment stock and appears to have an excellent chance of coming back. At present price of 60 we consider it attractive from the long-pull viewpoint.

ORPHEUM CIRCUIT

Earnings Unsatisfactory

As the holder of 800 shares of Orpheum Circuit at about present price of 18, would like to have your opinion of the stock and whether there is some other fairly low-priced issue that you would recommend a switch to. —E. G., Meriden, Conn.

Orpheum Circuit for the year ended December 31, 1921, reported net income of $785,144, equal to 42 cents a share on the 549,150 shares of stock outstanding. For the six months ended June 30, 1922, net profits before providing for Federal taxes were $71,866. This is not a good showing in earnings and would not appear to justify a higher price for the stock than it is now selling for, around 19. Moreover, the company is in poor financial condition, the balance sheet as of December 31, 1921, showing current assets of $609,-993 and current liabilities of $852,205. The stock is decidedly speculative, in our opinion, and we consider holdings of 800 shares unduly large. A good switch, in our opinion, is into the stock of Spicer Mfg. Co., selling around 19. Earnings of this company in 1922 are estimated around $4 per share and the outlook is for still larger earnings this year. It is one of the more important of the automobile accessory companies, its universal joints being considered standard equipment. Despite the improvement in earnings the stock is still selling rather close to its low levels and it would appear to have a good chance of appreciating in value if held for the long pull. We do not look for any early rise in speculative stocks, however, for we feel that the main trend of the stock market is now downward.

PRESSED STEEL CAR

A Switch Suggested

Do you consider it likely that Pressed Steel Car will resume dividends on the common stock soon. If not, please mention a switch that would improve my position, not a dividend paying stock, but one that will probably pay dividends soon, as I believe that this kind of stock often has a better chance to advance. —F. J., Cleveland, O.

We do not feel that Pressed Steel common will resume dividends very soon, as this company will report a deficit in 1922. The stock may have long-pull possibilities, but in the meantime it looks high for a non-dividend payer, and we feel that a switch into Julius Kayser, selling at around 42, would be a good move. For the year ending August 1, 1922, Julius Kayser earned 11.8% on its stock. Moreover, the company has shown an excellent record of earnings over a long period of years, having operated at a profit even during the period of depression. We feel that it is closer to dividends than Pressed Steel Car.

F. W. WOOLWORTH

Stock Dividend Unlikely Now

Is Woolworth going to pay a big cash dividend or a stock dividend soon? I have 25 shares of the stock and have been advised to hold it in anticipation of such action.— H. B. N., Washington, D. C.

F. W. Woolworth is using part of its cash to retire the preferred stock and this, in our opinion, would operate against the payment of any large cash dividend. As far as a stock dividend is concerned, the company recently wrote off many millions on the balance sheet which were carried in the good-will account, and it would appear that this write-off would operate against any large stock dividend. However, the earnings are very good and it is possible that the cash dividend rate may be increased or a small extra cash dividend paid. At present levels we feel that the stock has very fully discounted all favorable factors in the situation for the time being and we would advise taking profits.

BOOTH FISHERIES

Common Stock Highly Speculative

As I hold 600 shares of Booth Fisheries stock I would like your views of the present situation of the company and your opinion as to the desirability of continuing to hold the stock, which is my largest speculative commitment.—V. N. C., Lacon, Ill.

Booth Fisheries for the year ended December 31, 1921, reported a deficit of $2,239,044. The balance sheet as of December 31, 1921, showed bank loans of $8,773,905. This amount was in excess of the company's total current assets, including inventories. In other words, the company was practically without working capital. In order to improve its financial condition the company in September, 1922, sold $5,000,000 7% notes due 1937. In addition to this there are $2,453,000 6% debentures outstanding, due 1926, and bonds on Cold Storage Plants totalling $796,814. There is $5,000,000 7% preferred stock, par $100, and 250,000 shares of common of no par value. While no official reports of earnings have been

given out in 1922, business was on a much more satisfactory basis and it was estimated that the increase in the value of inventory alone was equal to $500,000. There are 14% back dividends due on the preferred stock which is not paying anything. Under these circumstances you can readily see that Booth Fisheries common is a long way removed from dividend payments and the stock is in a highly speculative position. As the company was able to finance through a bond issue its worse difficulties are over and the common stock is not without speculative possibilities for the long pull. However, we feel that you have entirely too large an amount of money tied up in this issue and we would advise a switch of at least half into sounder securities such as Mother Lode Coalition, paying $1 per share per annum and selling around 11.

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AMERICAN SUMATRA PREFERRED

Good Asset Value

What is the present financial condition of American Sumatra? Has the preferred stock good value behind it?—D. L. P., New York City.

American Sumatra balance sheet of July 31, 1922, shows a working capital of $8,566,000. In August the company sold its holdings of common stock of the Consolidated Cigar Corporation for about $1,800,000, so that the working capital of the company is now in excess of $10,000,000. There is $6,563,800 funded debt and $1,963,500 7% cumulative stock. In other words, the working capital of the company alone is in excess of the bonds and

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lead per annum, the 2 cent advance in the price of the metal means about 3 millions more profit, or approximately $2 a share on the stock. Dividends are being paid at the rate of $1 per share per annum, but in the last two quarters extra dividends of 25 a share were also paid, and as long as lead maintains its present price level it is likely that the company will continue to pay extras. The company is in strong financial condition with a working capital of 4½ millions and would apparently be justified in paying out the larger part of its earnings in dividends. Company owns mineral rights on 6,444 acres of lead-bearing lands, of which 4,244 acres are in the Flat River, Leadwood District and 2,240 acres in Bonne Terre. At present price of 18 the stock has progressed considerably toward discounting the better earning power of the company and we would favor taking profits.

Inquiries on Mining Securities

KENNECOTT COPPER

A Low Cost Producer

Among my stock investments I hold 50 shares of Kennecott Copper stock on which I would like to have your opinion. I am holding the stock for investment purposes and am not particularly interested in current fluctuations. What I would like to know is the long possibilities of the stock. Is the company in a favorable position as compared with other copper stocks? Can it make money with copper metal as low as 13 cents?—J. T., Oswego, N. Y.

We feel that an optimistic long-pull viewpoint of Kennecott Copper is justified. The company is one of the lowest cost producers, costs under present conditions being in the neighborhood of 8½ cents a pound, so that even with a 13 cent copper market, it is in a position to make substantial profits. Copper, however, is now quoted at over 14 cents a pound. Kennecott in its Alaska properties possesses some of the highest grade copper ore in the world. As owner of practically all the stock of the Braden Copper it controls mines in Chile with ore reserves of over 200 million tons. In addition Kennecott owns 616,504 shares out of a total of 1,624,490 shares of Utah Copper and 51% of the stock of Mother Lode Coalition, both low cost producers and both paying dividends. Financial condition is very strong, net liquid assets being over 25 millions. With copper metal above 14 cents Kennecott should be able to maintain its present dividend rates of $3 per share.

NIPISSING MINES

As the holder of some Nipissing Mines stock I would appreciate your opinion as to the advisability of holding. What are the company's ore reserves?—H. D. G., Williamsport, Pa.

There are many reasons for believing that the rich ore body on which Nipissing Mines Co. has been operating for years with substantial profits, is commencing to become exhausted. For example, production value for the year 1918 was $4,040,446; in 1919, $3,752,084; in 1920, $2,503,224; in 1921, $1,869,566. Another indication of the probable exhaustion of the mines in the near future is the effort of the management to locate other properties, although without appreciable success. Under these circumstances, we should say that the outlook for the company is not promising, although at present prices of around 5⅓ a share the stock does not appear to be selling unduly high, as the company has net liquid assets equal to about $3 a share, and it will probably be able to take fair profits out of its property for a few years longer.

ST. JOSEPH LEAD

Benefiting by Higher Prices

In view of the better prices prevailing for lead it would seem to me that St. Joseph Lead is in a position to greatly benefit. As the holder of 150 shares of this stock at about 14 I would appreciate your opinion as to the advisability of holding for higher levels.—A. K. L., Dayton, O.

St. Joseph Lead earnings are now on a favorable basis in view of the advance in the price of lead to about 7½ cents. In 1921, when prices of lead averaged about 2 cents lower, the company about broke even, but this was after deducting over a million for depletion. As the company produces about 150 million pounds of pig

TENNESSEE COPPER

Earnings Increasing

The MAGAZINE OF WALL STREET, I have noted, does not believe this is a good time to hold speculative stocks and since I am inclined to agree with this opinion my holdings are now small. However, I still have 300 shares of Tennessee Copper & Chemical which I have held for some time. This stock did not join in the upward move in 1922, and as it is selling at relatively low levels I am inclined to hold it for the long pull if you consider that the company has good possibilities.—G. N., Brockton, Mass.

Tennessee Copper & Chemical Co. is in good financial condition with a working capital of about 5 millions. Capitalization consists of $1,141,500 funded debt and 794,226 shares of stock of no par value. After deducting funded debt working capital alone is equal to $5 a share on the stock. Tennessee is one of the largest manufacturers of sulphuric acid and at the present time is operating close to the highest rate in its history. Price of acid phosphate is about 50% higher than a year ago with the demand increasing. Demand for sulphuric acid has become strong and prices show moderate improvement. Earnings have increased rapidly in recent months, so that, despite low prices and small demand earlier in the year, net for 1922 is likely to show higher than in 1921, when net profits before depreciation were $526,348, equivalent to 66 cents a share on the stock. Current earnings at the present time, after all charges and depreciation, are estimated to be running at well over $1 per share per annum. The company recently installed a flotation process mill which will make it possible to increase copper output independent of demand for sulphuric acid, and it is antici-

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pated that over 15 million pounds of copper will be produced in 1923. It is our opinion that at present levels of 12 the stock has attractive long-pull possibilities.

INSPIRATION CONSOLIDATED
Not a Low-Cost Producer

I am holding a couple of hundred shares of Inspiration Copper at about 50 and would like to have your advice as to whether I had best hold on or switch into some other stock that will give me a return on my investment and also have possibilities of appreciating in value so to make up my loss. How about Kennecott?—S. W. T., Lancaster, Pa.

We do not deem it advisable for you to continue to retain your Inspiration Consolidated stock. Inspiration is not a really low-cost producer and in view of the large output by South American mines now being made at low cost, we feel that only the lowest cost producers are in a favorable position to compete. At the present time it is estimated that Inspiration costs are about 15 cents a pound or higher than the price of copper metal. This compares with about 8½ cents for Kennecott Copper. As Kennecott Copper is paying dividends of $3 per share per annum, and Inspiration selling only a little lower is paying nothing, we believe it would be to your advantage to switch into the former.

New Security Offerings

AMERICAN GLUE 5½% Notes
Yield 5% to 5.80%

Your opinion of American Glue 5½% notes is desired.—A. K. P., Providence, R. I.

American Glue $2,500,000 5½% debenture notes, due 1924-1938, are a direct obligation of the company and by the terms of the indenture the company cannot create any mortgage or lien upon any of its assets, without equally securing these debentures. In addition, the company shall not pay any dividends which shall reduce the quick assets below a sum equal to 125% of the aggregate indebtedness of the company and subsidiaries. Net earnings after depreciation and taxes for the 11 years and four months ended September 30, 1922, averaged over three times the present annual interest charges. The balance sheet shows current assets equal to 136% of all indebtedness and total tangible assets equal to 262%. Yields at offered price run from 5% for the 1924 maturity up to 5.80% for the 1938 maturity. The notes are well-secured but at the offered prices do not appear to us to be a particularly attractive investment opportunity.

REPUBLIC OF CUBA 5½s
A Protected Issue

Do you consider it safe to purchase bonds of the Republic of Cuba? Do you consider that the United States Government interest in Cuba is sufficient to protect holders of Cuban bonds if affairs should not go well in that country? —F. J. L., Passaic, N. J.

Republic of Cuba $50,000,000 5½% External Loan, due 1953, are a direct obligation of the Republic of Cuba. In addition, they are secured by a charge on certain revenues of the Republic, including the customs revenues, subject to existing charges but prior to any future charges. The customs revenues have alone averaged $46,292,000 annually during the past five years,the lowest receipts in any one year having been over 30 million. The existing charges upon the customs prior to these bonds for the current fiscal year amount to about 4 millions. The bonds are also secured by a first charge on 10% of the amount by which the revenues of the Government in each fiscal year exceed 60 million. By an Act of the United States Congress, dated March 2, 1901, certain provisions were formulated which have been incorporated in the Cuban Constitution and have also been embodied in a treaty between the two countries. Under these provisions the Republic of Cuba agrees not to contract any public debt the service of which, including reasonable sinking fund provision, cannot be provided for by the ordinary revenues. The Republic also agrees not to enter into any foreign treaty or compact which may impair its independence and grants to the United States the right to intervene for the purpose of preserving Cuban independence and maintaining a government adequate for the protection of life and property. We consider these bonds a reasonably safe investment and attractive at the offered price of 99¼ to yield 5.55%. Sinking fund is sufficient to retire entire issue at or before maturity.

ANACONDA COPPER BONDS
First Mortgage and Debentures

I am considering an investment in the new Anaconda bonds, placing, say, $5,000 in the 6% First Mortgage issue and $3,000 in the 7% Debentures. I know the Debentures are more speculative, but as they give a higher yield and have convertible privileges I am considering buying a few as I am in a position to assume a certain amount of risk with my capital. Will appreciate your view of these bonds. —W. B. K., Paxton, Ill.

Anaconda Copper Mining Co. First Consolidated Mortgage, Series A, $100,000,000 6% bonds are secured by a direct mortgage lien on all the plants, real estate and by pledge of stock of controlled companies, subject to the prior payment of $24,669,000 6% bonds, due 1929, which are non-callable. The total aggregate value of such properties and assets of said companies amounts to more than 173 millions as shown by the balance sheet. The company will also specifically pledge for the prior security of the 1st mortgage bonds, stock of Chile Copper Co., American Brass Co., and Inspiration Consolidated which, on the basis of actual cost, represents a value of 130 millions. The combined average annual net income of the Anaconda Mining Co. and the American Brass Co., before interest and depreciation, but after Federal taxes, for the ten years ended December 31, 1921, amounted to over 26 millions per year which is 3½ times interest requirements on the 1st mortgage and 2¼ times interest charges on the total funded debt including Debentures. Because of its low production cost, Chile Copper on the basis of 15 cents for the metal, it is estimated, can show a profit before interest, depreciation and depletion of 14 millions per annum at the present rate of production. Through the acquisition of American Brass and Chile Copper, the Anaconda Copper Co. has become a completely integrated organization covering every step in the Copper industry. The First Mortgage bonds, in our opinion, are in a strong position and are a decidedly attractive investment opportunity at the offered price of 96½ to yield 6.25%.

The 50 millions 7% Debentures offered at par are convertible at any time prior to February 1, 1933, into common stock at the following rates: the first 10 million Debentures presented for conversion may be converted at a price of 53, the next 10 million at 56, the next 10 million at 59, the next 10 million at 62 and the last 10 million at 65. While, as you state, the Debentures are more speculative we consider them attractive for anyone who can assume a slight amount of risk.

ARMOUR & CO. OF DELAWARE 5½s
Yield 5.85%

How would you regard an investment in Armour & Company of Delaware 5½% bonds? —T. C. B., North Adams, Mass.

Armour & Co. of Delaware $50,000,000 First Mortgage 5½s, Series A, are secured by a direct mortgage of the company and through pledge of first mortgage bonds or obligations of subsidiaries, will be secured by a first mortgage upon fixed assets appraised by the American Appraisal Co. at over 85 million. In addition, the bonds are guaranteed as to principal and interest by the Armour Co., of Illinois. Balance sheet of the new company as of August 26, 1922, after giving effect to the new financing, shows, after deducting all indebtedness except the bonds of this issue, net tangible assets of over 178 million, net current assets alone being in excess of 60 million. Based upon the earnings of the properties to be acquired by the new company, the net earnings available for interest for the six-year period ended October 29, 1921, after depreciation and Federal taxes at present rates, averaged more than five times annual interest requirement on this issue. The security behind this issue and the past record of Armour & Co. entitle these bonds to a high rating and we consider them a desirable investment at the offered price of 96 to yield 5.85%.

TRADE TENDENCIES

Industrial Momentum Sustained

Basic Industries Continue Active—Lack of Labor a Serious Obstacle in Some Districts

STEEL

Operations Generally Increased

THERE have been three outstanding features of the iron and steel situation in the past few weeks. One of them has been the maintenance of a high ratio of operations, averaging at this time 80-85% for the industry as a whole; the second has been the definite trend toward higher prices for pig iron and basic steel products, and the third has been the growing difficulty experienced by manufacturers with regard to securing a full labor quota.

All important buyers continue active in the market and the aggregate tonnage placed by such factors as automobile, building and railroad interests is very large. In certain respects, the current year promises to be a record-breaking one.

(See Footnote for Grades Used and Unit of Measure)

COMMODITIES

	1922 High	1922 Low	1923 Last*
Steel (1)	$40.00	$28.00	$37.50
Pig Iron (2)	34.00	17.75	26.50
Copper (3)	0.14¾	0.12⅝	0.14⅝
Petroleum (4)	3.50	3.00	3.45
Coal (5)	5.75	1.75	4.25
Cotton (6)	0.26¾	0.17	0.27½
Wheat (7)	1.46	1.01¼	1.18
Corn (8)	0.78¾	0.47	0.68
Hogs (9)	0.10⅜	0.08	0.08
Steers (10)	0.10½	0.08½	0.10
Coffee (11)	0.11¼	0.09¼	0.11½
Rubber (12)	0.27	0.13¾	0.33
Wool (13)	0.57	0.45	0.56
Tobacco (14)	0.20	0.18	0.18
Sugar (15)	0.05¾	0.03½	0.05¼
Sugar (16)	0.07⅛	0.04¾	0.06⅞
Paper (17)	0.04	0.03½	0.04

* Jan. 25.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.: (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

For example, the bookings for nails and such products is far ahead of anything experienced for a very long period. Tinplate mills are running at close to capacity and their outlook is exceedingly favorable.

While domestic conditions in the iron and steel industries continue favorable, the same cannot be said of the foreign end of this business. Most steel manufacturers complain of inability to secure a large amount of foreign orders and inasmuch as this is normally a very lucrative business, the lack of it constitutes quite a disadvantage. The leading interest is doing a little better along these lines but foreign trade in steel can be considered generally depressed.

On the earnings side, most of the important steel companies are operating once more in the black. An interesting and significant feature was the resumption of dividends on the preferred stock of the Republic company. It is expected that the current year will see additions to income-bearing steel shares.

The labor shortage noted in many industries is particularly acute in the steel industry and many companies have had to resort to importing labor from the South which is notoriously inefficient. Attention is now being directed to effecting increased operation through making the most of the labor available.

COAL

Lower Prices in Sight

Three factors are operating in the coal trade to promote the feeling that soft-coal prices are likely to head downward in the near future. The first of these is the high rate of production; the second is the improved car supply, and the third is that pending negotiations between miners and operators will probably result in avoidance of another strike.

Current production is increasing at a rate to once more permit the building up of reserve stocks. Production in December amounted to 46.5 million tons which was the largest since March, 1922. The average weekly production is now around 11 millions tons which is ample to meet demand and leave a respectable surplus for reserves.

THE TREND

STEEL—Operations continue at high point. Profits Increasing. Labor shortage an interfering factor.

COPPER—Prices somewhat lower on account of European situation. General outlook favorable to low-cost producers only. Lead and zinc in satisfactory position.

OIL—A feature is the advance in crude which is unusual for this time of the year. A very big season for gasoline is expected.

WHEAT—Prices considerably off from high of the year but general price outlook is considered satisfactory.

SHIPPING—Inadequate volume of traffic but cut-throat competition and rate-cutting appears ended.

COAL—Production at high rate and transportation conditions greatly improved. Lower prices expected if present production is maintained.

SUMMARY—Present conditions favor continuation of industrial operations at a high rate. The price situation is irregular with some commodities exceedingly strong and others inclined to sag off. Foreign situation involved but domestic conditions reassuring.

Transportation conditions are such as to permit unimpeded delivery of coal shipments and the coal-car movement should run close to mine capacity.

Present prices are on an inflated basis and most grades are selling approximately 150% above the pre-war level which is out of line with most other commodities. Prices are now 100% above those of a year ago this time. Most consumers are unwilling to enter long-time contracts for soft coal on such a price basis and are holding off commitments. The outlook, therefore, favors a condition which will see soft coal selling at materially lower prices than the present.

The anthracite situation is, of course, quite different. Here, an actual shortage still prevails and, while production is at a high point, it has come too late to permit sufficient stocks for current use. There appears to be no reason to anticipate a lower price for hard coal during this winter. They will, however, undoubtedly react toward spring.

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Income Tax Department

Conducted By M. L. SEIDMAN, C. P. A.

IN previous years, where business losses were sustained, taxpayers did not take very much pains to determine the exact amount of that loss, undoubtedly for the psychological reason that since they knew there was a loss they could not see why they ought to go to the further trouble, and perhaps expense, of finding out its amount.

Under the Revenue Act of 1921, however, the situation becomes far different. It is now just as important to accurately account for losses as it is for profits. For under that act, net losses of one year may be deducted from the income of a succeeding year and if the net loss is in excess of the income of the succeeding year, such excess may be deducted from the income of the year thereafter.

It can readily be seen that this is a valuable relief provision. But it can only be taken advantage of where proper accountings are made of the net loss. Aside, therefore, from the practical reason that always exists of determining the amount of a net loss in order to put one's fingers on its cause, with a view of its elimination, there is now the pecuniary incentive to correctly determine and account for a net loss that may have been sustained by a taxpayer in his business.

"Loss" as Defined

There are several features that should be noted about the net loss provision. First is, that the net loss must result from the operation of any trade or business regularly carried on by the taxpayer. It includes loss sustained from the sale of real estate, machinery or other similar assets used in the conduct of such trade or business. The amount of a net loss, as defined in the law, may, however, be entirely different from the loss shown in the tax report or on the books.

A net loss as regarded by the statute means the excess of the deductions allowed by law over the gross income, also defined in the law. But in determining the deductions, there must be excluded losses not sustained in the trade or business, as well as all other deductions that are not incident to the taxpayer's business. There are, too, certain other technical provisions with respect to the net loss section, with respect to its computation, but it all can be summarized in the thought that the law means to give relief to those taxpayers who have sustained a net loss in their business but not otherwise.

This provision was made effective for any taxable year, beginning after December 31, 1920, so that a net loss that was sustained during the calendar year 1921 may be deducted from the income of 1922. The exact procedure in which this is done, however, is to file a claim for the deduction with the 1922 return. If the Commissioner of Internal Revenue is satisfied that the claim is in order, the deduction will be permitted and the 1922 tax accordingly adjusted. The 1922 return, however, of itself must be filed without the benefit of the deduction, until the claim is passed upon by the Commissioner. Another factor to be noted in connection with the net loss provision is that only the net loss of a year's operation may be offset against the income of one other full year's operations. That is, there must be two twelve-month periods. If, therefore, a taxpayer changes his accounting period so that a return is filed for less than a year, the net loss previously sustained can be deducted from the shorter period. Thus, assuming that a taxpayer sustained a net loss for the calendar year 1921 and that, during 1922, application was made to file on a fiscal year, ending June 30th, a return would, therefore, have to be filed for the period January 1st, 1922, to June 30th, 1922, the net loss sustained for the calendar year 1921 cannot be deducted from the period January 1st to June 30th, 1922, because the statute specifically provides that full year periods only can be taken into consideration. The taxpayer would, however, be able to deduct the net loss from the income of the fiscal year June 30th, 1922, to June 30th, 1923.

THIS is the fourth of a series of articles on the income tax requirements which will appear in this publication regularly. Mr. Seidman is a well-known tax expert and has written numerous articles on taxation. Mr. Seidman will answer any question on the subject directed to him by our readers. Such questions should be addressed to this paper, in care of the Tax Editor. To receive attention, all communications should be signed by the writer. Mr. Seidman's answer, however, when published will not reveal the identity of the inquirer.

The advantages of a net loss provision can be taken by members of a partnership and beneficiaries of a trust as well as individuals, proprietorships, and corporations, if such partnership or trust is carrying on a trade or business.

The necessity, therefore, of properly accounting for net losses cannot be overemphasized.

One of the several important relief provisions of the Revenue Act of 1921 has already been discussed in the previous section. In this section another one will be outlined.

The provision referred to is popularly known as the "Capital Gain" Section. In effect, it limits the rate of taxation that may be imposed on profits derived from the sale of property acquired for profit or investment purposes. In this connection, the law provides that such profits shall not be taxed at a higher rate than 12½% even though the other income of the taxpayer may be subject to higher tax rates. In other words, if a taxpayer has a net income of $100,000, $25,000 of which is derived from the profit on the sale of securities held for investment, the $25,000 will be taxed at 12½% while the $75,000 will be subject to the regular surtax rates.

To come under this section, the property sold must have been acquired and held by the taxpayer for more than two years. While it is not necessary for the property involved to be connected with the taxpayer's trade or business, property held for the personal use of the taxpayer, such as his residence, is excluded from the benefits of this section. There is also excluded the stock in trade of the taxpayer or other property of the kind usually inventoried annually.

The Two-Year Provision

With respect to the two-year provision, it should be noted that in the case of stock, the two-year provision applies to the original stock where a stock dividend has been subsequently issued. Thus, if a taxpayer sold in 1922, 500 shares of stock, 250 of which were acquired in 1919 and 250 in 1921 as a result of stock dividend, the entire sale would come under the Capital Asset Section.

Since the Government gives the taxpayer the benefits of a limited rate on profits from capital transactions, it is only natural to expect that the deduction for losses in such transactions would also be limited. And so it is found that one of the requirements of the section is that losses must be offset against gains and the 12½% rate applied against the difference.

To illustrate:

A. in 1922 sold an office building for

(*Please turn to page* 656)

Activities of the

Investors' Vigilance Committee, Inc.

Cooperating With the Chambers of Commerce, Business Organizations and "The Magazine of Wall Street"

By RALPH W. BUDD, Manager I. V. C.

Stamford, Conn., the Waterloo of Promoters

ONE of the most active and aggressive members of the Investors' Vigilance Committee, Inc., is Stamford, Connecticut. So active and aggressive are they that the vendors of fake stocks are finding the town a place of poor pickings. If a Stamford man gets fooled it is his own fault, because there is at the disposal of every citizen a wide-awake organization whose purpose is the protection of the people of Stamford against fraud. By being ever watchful and acting promptly wherever suspicion of fraud or unwise investment exists, and keeping constantly in touch with the Investors' Vigilance Committee, Inc., Stamford has become the Waterloo of Promoters.

Milton B. Goodkind, Secretary Manager of the Stamford Chamber of Commerce, glories in putting to rout anything or anybody threatening the purse and peace of mind of the people of his city.

One of the first to encounter the Goodkind opposition was a promoter who claimed to represent the Selznick Pictures Corporation. He arrived in Stamford with several glib-talking associates. First they called on the officers of the Chamber of Commerce, and a number of other representative men, to whom they talked in large terms of building a studio in Stamford. Then they gave a big luncheon to these city leaders, and the question of where to build a studio in Stamford formed the chief topic of conversation. The men who had the welfare of Stamford at heart became wrought up to almost fever pitch over the thought of having a moving picture company that claimed to be backed by 11 million dollars, make Stamford the headquarters of their industries.

Getting Ready for Business

For several days there was little else talked about in Stamford except the coming of the alleged Selznick moving picture colony. Feeling that for the honor of their city they must not be outdone in the matter of entertainment and hospitality, the men of Stamford proceeded to entertain the promoter and his associates with the best their city had. The city rang with good fellowship, expensive cigars were smoked without stint, and the caterers began to think they had found the end of the rainbow.

Then the alleged Selznick representatives hired the Elks Hall and invited the whole city of Stamford to an elaborate entertainment of moving pictures and music. When the hall was packed to overflowing trained orators got up before the assembly and told them of the great good they were doing for Stamford by locating there—how they were coming with their 11 million dollars, and their experienced moving picture men, and how Stamford was going to put Hollywood in the shade. Everyone was going to reap a rich harvest. Business was going to boom. Stamford real estate was going to climb to undreamed of heights. The Selznick people, it appeared, were not selfish, they were going to share all their vast wealth with the people of Stamford. They were going to give Stamford an opportunity. They were going to allow the people of this chosen city to buy stock in the Selznick Company.

For twenty-four hours after the mass meeting the Selznick salesmen worked untiringly in an endeavor to sell stock, but with little or no success. There was one element in Stamford that the Selznick crew had failed to reckon with. That was the local Vigilance Committee and its keen-eyed manager, who had said little but had watched closely every move of the promoters.

While others were talking much and smoking a lot and taking all that was said for granted, Goodkind was telephoning to New York. 'I was told," he says, "among other things that Selznick shares had no market, and that the Selznick company had practically ceased to operate." He then sent a warning broadcast through the city. The Selznick salesmen found that in spite of their elaborate plans and the money spent in an effort to stampede the people of Stamford into gobbling up Selznick stock they would neither stampede nor gobble.

The David Dunbar Buick Syndicate also had a fling at Stamford. Then the Rose City Petroleum Corporation, and many others tried. All of them failed to measure up to the standards of the Vigilance Committee.

Newspaper Publicity

Every week in the Stamford Advocate there appears a page that is devoted to this purpose. Results show that nearly every one in Stamford reads this page to see how the Vigilance Committee reports on a proposition. So well educated are the people of Stamford to the policy of "Investigating before Investing" that a constant flow of promotional literature is received at the Chamber of Commerce offices. This is forwarded to the Investors' Vigilance Committee, Inc., for analysis and investigation. Mr. Goodkind spends a large portion of his time in answering telephone inquiries and personal calls from people who are interested in investment. Now a course of lectures on investment is being arranged in Stamford and the Investors' Vigilance Committee, Inc., lecturers will give the people of Stamford a more intimate knowledge of legitimate and fraudulent stock promotion.

Mr. Goodkind also recently warned Stamford against investing in the wares of the Auto Knitter Company, whose magazine and daily newspaper advertising have induced many working women, who have hoped to increase their incomes by doing additional work at home, to buy knitting machines. Through the efforts of Mr. Goodkind many publications have refused to accept advertisements of the Auto Knitter.

This page has been donated by THE MAGAZINE OF WALL STREET *for the express purpose of presenting regularly the work of the Investors' Vigilance Committee, Inc., with whom we are cooperating in conjunction with the Chambers of Commerce and other Business Organizations of the Nation.*

The statements contained herein are not guaranteed but are based upon information which we believe to be accurate and reliable.—Editor.

THE plans of the INVESTORS VIGILANCE COMMITTEE, Inc., with samples of the forms used, will be sent upon request to any Chamber of Commerce or other business organization in the United States or Canada.

It is the duty of every citizen of this country to secure the cooperation of his local business organization with this Committee so that his own community may be made safe for investors from these "vultures who are parading like peacocks" in their midst.

If the mail brings you, Mr. Reader or your friends, a specimen of promotion literature, remail it to this Committee and help in the "Round-Up."

THIS is the first of a series of articles setting forth in detail the individual activities of the different cities where various subscribing members of this Committee are located. They will be found not only interesting but instructive to our readers, giving them a very clear idea of the size of the operations now conducted by the INVESTORS' VIGILANCE COMMITTEE.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-1922		1923		Last Sale	Div'd $ per
RAILS:	High	Low	High	Low	High	Low	High	Low	Jan. 24	Share
Atchison	125⅛	90¼	111¼	75	108⅛	91¼	102⅜	100	101⅛	6
Do. Pfd.	106¼	96	102½	75	95½	72	90	88¼	‡89¼	5
Atlantic Coast Line	148½	102½	126	79¼	124⅞	77	115	110⅛	115	7
Baltimore & Ohio	122¼	90⅝	96	88¼	60¼	27⅝	44⅛	40⅛	43½	..
Do. Pfd.	96	77¼	80	48¼	66¼	38½	60¼	58¼	58½	4
Canadian Pacific	283	165	220¼	126	170⅞	101	144⅞	140¼	143⅛	10
Chesapeake & Ohio	92	51⅛	71	35⅝	79	46	74⅞	69	72	4
Ches. & Ohio Pfd.	..	..	..	..	105⅝	100⅝	102¾	101⅞	‡102	6½
C. M. & St. Paul	165⅛	96⅜	107⅛	35	52¾	16½	23⅞	20⅝	22⅝	..
Do. Pfd.	181	120½	143	62½	76	29	35⅝	32½	34⅞	..
Chicago & Northwestern	198⅛	123	136⅞	85	105	59	81½	77	77½	5
Chicago, R. I. & Pacific	..	..	45⅜	16	50	22⅝	33⅜	31⅛	33	..
Do. 7% Pfd.	..	..	94¾	44	105	64	92¼	81⅜	92¼	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	83	82	82	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	116	103	114⅞	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	127⅛	122¾	125	8½
Erie	61¼	33½	59½	18¾	21⅜	7	11½	10½	11	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	11⅛	17	15	16⅛	..
Do. 2nd Pfd.	39⅛	19½	45⅝	13⅛	23¾	7⅛	12	11⅜	11⅝	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	60	76	71	73¼	5
Illinois Central	162⅛	102¾	115	85¾	115¾	80⅞	113	110	111½	7
Kansas City Southern	50¼	21⅛	35⅛	13½	28⅞	13	21¾	18½	‡21	..
Do. Pfd.	75½	56	65½	40	59½	40	54½	52⅞	54½	4
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39¾	70⅞	66½	70⅝	3½
Louisville & Nashville	170	121	141⅞	103	144⅞	94	137	132½	134	7
Mo., Kansas & Texas	51⅛	17⅛	24	3⅛	*19¾	*¾	15⅞	13½	15¼	..
Do. Pfd.	78¼	46	60	6½	*48¾	*2	41⅜	37	41	..
Mo. Pacific	*77½	*21⅛	38½	19⅞	38⅞	11⅛	16⅞	15⅛	16	..
Do. Pfd.	..	..	64⅞	37½	63¾	33⅜	44¼	41⅝	43½	..
N. Y. Central	147¾	90⅜	114¼	62½	101⅛	64⅛	95½	93	93½	5
N. Y., Chicago & St. Louis	109¼	90	90¾	55	91½	23¾	83	78	79¼	5
N. Y., N. H. & Hartford	174¼	65⅝	89	21½	40⅞	12	21½	16½	19½	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	30½	16	20¾	19⅛	20¼	2
Norfolk & Western	119¼	84¼	147¼	92⅜	125⅛	84⅛	112⅞	109¾	111¾	7
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	75¾	72	74½	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	47	46⅜	46¾	3
Pere Marquette	*36½	*15	38⅛	9½	40⅜	12⅛	38⅞	36	37½	..
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	36⅜	33⅞	34⅝	..
Reading	89⅛	59	115½	60⅛	108	60¾	79⅝	76⅜	78¼	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	54⅛	52	54¼	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33¼	55	51⅞	55	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	23	21	22¾	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	32½	28¾	32½	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	90⅜	87	89⅞	6
Southern Ry	34	18	36¾	12½	33⅛	17⅛	30⅜	24⅛	29⅞	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	69	64¾	67½	5
Texas Pacific	40½	10¼	29½	6½	70½	14	22	19¾	21⅛	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	138¾	136⅜	137	10
Do. Pfd.	118½	79¾	86	69	80	61¼	76½	74⅝	‡75	4
Wabash	*27⅞	*2	17½	7	14⅜	6	9⅝	8⅛	9⅛	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	20⅝	23¼	26	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	16	16½	17½	..
Western Maryland	*56	*40	23	9¼	17¼	8¼	11⅞	10⅝	11⅛	..
Western Pacific	..	..	25½	11	40	13¾	18¼	16	18¼	..
Do. Pfd.	..	..	64	35	78	51½	58	56½	58	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	9½	8¼	9	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	73½	68	71⅛	4
Allied Chem	..	..	..	..	91¾	34	80	71½	73	4
Do. Pfd.	..	..	..	..	115½	83	111⅞	110⅛	‡108	7
Allis Chalmers	10	7⅝	49¼	6	59¾	26½	48½	45	‡44½	4
Do. Pfd.	43	40	92	32½	104	67½	97	96	‡94¼	7
Am. Agr. Chem.	63⅜	33½	106	47¾	113¾	26½	32¾	29½	30⅛	..
Do. Pfd.	105	90	103½	89⅛	103	51	61½	59	‡58¾	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	39⅜	37⅝	37½	..
Am. Bosch Mag	..	..	..	..	143⅞	29⅛	42¾	37	37⅛	..
Am. Can	47⅜	6⅞	68½	19¼	76½	21¾	85¼	73½	81¼	5
Do. Pfd.	129¼	98	114½	80	113⅞	72	112⅞	111¼	112½	7
Am. Car & Fdy.	76½	36½	98	40	201	84⅛	186	178	179	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¾	125⅞	123	‡124	7
Am. Cotton Oil	79¼	33½	64	21	67½	14¾	20¾	17	16⅞	..
Do. Pfd.	107½	91	102¼	78	93	33½	38¾	34	33½	..
Amer. Express	300	94¾	140½	77½	175	76	142	135½	135	8
Am. Hide & L.	10	3	22⅛	2½	43⅛	5	12½	11	‡11	..
Do. Pfd.	51⅜	15⅛	94⅞	10	142⅜	35	70	66½	‡66½	..
Am. Ice	..	..	49	8⅞	122	37	106⅛	98½	101½	7
Am. International	..	..	62⅜	12	132¼	21¼	27½	24½	25¾	..
Am. Linseed	20	6⅞	47¾	20	95	17¼	33	29¾	31⅜	..
Am. Loco.	74¾	19	98¼	46⅜	136¾	58	129⅞	120⅛	120⅝	6
Do. Pfd.	122	75	109	93	122¼	96½	121	119½	‡121	7
Am. Safety Razor	..	..	..	..	22	3½	9	6⅞	7⅜	.25
Am. Ship & Com.	..	..	..	..	47½	4⅜	21⅜	19⅜	18½	..
Am. Smelt. & Ref.	105½	56⅜	123¾	50⅛	89¾	29⅛	57⅞	53	54⅝	..
Do. Pfd.	116¾	98¼	118⅛	97	109⅜	63¼	99⅝	98⅜	98⅝	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	37⅜	36½	36	3
Do. Pfd.	..	..	..	..	107	78	103½	102	‡101	7
Am. Sugar	136⅜	99⅞	126⅜	89⅛	148⅜	47⅝	80¼	76	76	..
Do. Pfd.	133½	110	123½	106	119	67½	108¾	106½	107⅛	7
Am. Sumatra Tob.	..	..	145¾	15	120½	23⅛	29	26⅜	26½	..
Do. Pfd.	..	..	103	75	105	52⅛	55⅜	55⅜	55⅜	..
Am. Tel. & Tel.	153⅜	101	134½	90⅜	128¾	92⅛	124	122⅜	122¾	9
Am. Tobacco	*530	200	256	123	314½	104⅛	156	150	151⅛	12
Do. B	..	..	..	..	210	100⅛	152⅞	148	‡149	12
Am. Woolen	40⅜	15	60⅞	12	169½	55½	97¾	94	95	7
Do. Pfd.	107¾	74	102	72½	111¼	88½	111¾	110	‡109½	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	50⅞	45⅛	47¾	..
Associated Dry Goods	..	..	28	10	68¾	48	71	62¼	64¾	4
do 1st Pfd.	..	..	75	50½	86	49⅞	85	83	‡83	6
do 2nd Pfd.	..	..	49⅛	35	91½	38	91	88⅛	‡90	7
At. Gulf & W. I.	13	5	147¾	4½	192⅝	18	22⅝	20½	20⅞	..
Do. Pfd.	32	10	74¾	9⅞	76½	15¾	17	15¼	‡15	..
Baldwin Loco.	60¾	36½	154½	26⅜	156¼	62¼	140⅜	129¼	132½	7
Do. Pfd.	107½	100¼	114	90	118	92	116¾	114	‡114	7
Bethle. Steel B	*51⅝	*18¾	155½	59¾	112	41½	65⅜	60¼	62¼	5
Do. 7% Pfd.	80	47	186	68	108	87	98	94	94	7
Do. 8% Pfd.	..	..	110⅜	92½	116⅜	90	110	107⅞	108	8
Burns Bros. A	48	41	161⅜	50	147	78	144½	141	141¼	10
Do. B	..	..	..	..	58	27	43	39⅛	‡39½	2
Calif. Packing	..	..	86	80	87⅛	48¼	83¼	80⅛	79½	6

Price Range of Active Stocks

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-1922 High	Post-War Period 1919-1922 Low	1923 High	1923 Low	Last Sale Jan. 24	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro.	72½	16	42⅝	8	71⅞	15⅝	83½	66¼	74	..
Calif. Petro. Pfd.	95½	45	81	29½	98½	63..	98⅝	94¼	96	7
Central Leather	51¼	16½	123	25⅜	116½	22¼	36	32¼	33¼	..
Do. Pfd.	111	80	117½	94⅜	114	57⅛	73	67⅝	70½	..
Cerro de Pasco	..	..	55	25	67½	23	45¾	42½	42⅞	..
Chandler Mot.	..	..	103⅜	56	141¼	38¼	70⅞	66⅛	66¼	6
Chile Copper	..	..	39¾	11¼	29⅛	7⅛	30⅛	27¾	29⅜	..
Chino Copper	50⅜	6	74	31⅛	50⅞	16⅛	27⅞	24½	24½	..
Coca Cola	..	..	..	..	82⅛	18	81	74	75⅞	6
Colum. Gas & E.	..	..	54⅝	14¾	114⅞	39¼	108½	103⅞	105	6
Columbia Graph.	..	..	*166	*97	75¼	1¼	2¾	2⅛	2½	..
Consol. Cigar	..	..	..	..	80	13½	39⅜	34½	35½	..
Consol. Gas	165¾	114½	150½	112½	*145¾	*71¾	*126¾	*120	126	8
Corn Prod.	26½	7¾	50½	7	134¾	46	129	123½	126⅝	6
Do. Pfd.	98½	61	113½	88⅛	122¾	96	121⅛	118¼	‡119½	7
Crucible Steel	19⅜	6½	109⅞	12¼	278½	49	73⅞	67½	71¼	..
Cuba Cane Sugar	..	..	76⅛	24⅞	59⅜	5⅝	14⅛	12⅝	12⅝	..
Cuban Amer. Sugar	*5o	*33	*273	*38	*605	10⅞	26	23½	25⅛	..
Endicott-Johnson	..	..	..	..	150	44	94¼	88½	90⅝	5
Do. Pfd.	..	..	..	..	119	84	118	117	‡115	7
Famous Players	..	..	..	..	123	40	93	82¾	83⅝	8
Do. Pfd.	..	..	..	..	107⅛	66	99⅝	94⅜	95	8
Freeport Tex.	..	..	70½	25¼	64⅜	9½	22	19⅜	19½	..
Gen'l Asphalt	42⅞	15½	39⅛	14¼	160	32½	49⅜	42	42¼	..
Gen'l Electric	188½	129¾	187¼	118	190	109½	185¼	179	181	8
Gen'l Motors	*51¼	*25	*850	*74½	42	8⅛	15⅛	13⅛	14	.50
Do. 6% Pfd.	..	..	90½	72¾	95	63	85	83¾	‡84	6
Do. 6% Deb.	..	..	..	..	94¾	60	85	83½	84¼	6
Do. 7% Deb.	..	..	..	..	100	69	100	96¾	99	7
Goodrich	86½	15½	80¼	19¾	93⅜	26⅝	39⅛	34	36½	..
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	91¼	84	‡90	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¼	24⅞	32	30	30½	2
Houston Oil	25½	8¼	86	10	116½	40½	77⅜	69¼	73	..
Hudson Motors	..	..	..	..	26⅜	19½	28¾	25¼	28	2
Hupp Motors	..	..	11¾	2½	26⅛	4⅝	26	22¼	23¾	1
Inspiration	21⅜	13⅞	74¼	14¼	68⅞	28	33	26¾	33	..
Inter. Mer. Marine	9	2⅛	50⅞	⅜	67¼	7⅛	10⅞	8⅝	9⅜	..
Do. Pfd.	27⅜	12½	125⅝	8	128½	36	47	38⅛	38½	3
Inter. Nickel	*227¼	*135	57½	24½	33⅞	11⅛	16	14	14⅜	..
Inter. Paper	19¾	6⅛	75½	9¼	91¼	30¼	55⅜	49½	50½	..
Invincible Oil	..	..	..	..	47½	5⅛	15¼	14⅛	14⅞	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	51⅞	46½	49½	..
Do. 8% Pfd.	..	..	101	72	110¼	70½	108	102¾	‡106¼	8
Kennecott	..	..	64¼	25	43	14⅜	37⅜	35	35¼	3
Keystone Tire	..	..	46½	11	126¼	4¾	10⅛	8⅜	8⅞	..
Lackawanna Steel	55½	28	107	26½	107¾	32	..	..	..	..
Lima Locomotive	..	..	..	..	65⅛	52	62	58⅛	59⅞	4
Loews, Inc.	..	..	..	..	38⅜	10	19⅞	18¼	18⅜	..
Loft, Inc.	..	..	..	..	28	7⅜	11¾	10⅛	‡11	1
Mexican Pet.	90½	41¼	129¾	46½	322	84½	293	290	‡275	16
Miami Copper	30¼	12¾	49⅜	16½	32⅜	14⅛	28	26⅞	27¼	2
Middle States Oil	..	..	..	..	71⅛	10	12¼	11⅛	11¼	1.20
Midvale Steel	..	..	98½	89½	62¼	22	29½	27⅛	28	..
Nat'l Lead	91	42½	74⅛	44	120¼	63½	128¾	124	‡123⅛	8
N. Y. Air Brake	98	45	136	55⅞	145¾	45½	50½	46	‡28	4
N. Y. Dock	40¼	8	27	9¼	70⅜	16¼	22⅜	21½	‡21½	..
North American	*87⅞	*60	*81	*38⅞	100¾	32¼	107⅛	100½	102½	5
Do. Pfd.	..	..	..	..	47¼	31⅞	45½	44½	44¾	3
Pacific Oil	..	..	..	..	69⅜	27½	48⅞	45	44	3
Pan. Amer. Pet.	..	..	70¾	35	140¼	38⅛	91⅛	84	86½	8
Do. B	..	..	..	..	111¾	34⅛	84½	78	79	8
Philadelphia Co.	59¼	37	48⅞	21½	48	26½	44¼	41¼	42⅜	3
Phillips Pet.	..	..	..	..	59¼	16	52½	47½	50⅝	2
Pierce Arrow	..	..	65	25	99	9¼	15¼	11⅜	12¼	..
Do. Pfd.	..	..	109	88	111	18⅞	35⅜	29½	30½	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅜	45	60¾	58	60	4
Pressed Steel Car	56	18½	88⅛	17¼	113¾	48	81½	65	66⅜	..
Do. Pfd.	115	88½	109⅛	69	106	83	99¾	86	91	7
Punta Aleg. Sug.	..	..	51	29	120	24¾	47⅞	43	43⅞	..
Pure Oil	..	..	143⅞	31⅞	61⅞	21½	29⅞	27¼	27⅞	2
Ry. Steel Spg.	54½	22¼	78½	19	126¼	67	119½	113	‡112	8
Do. Pfd.	113⅜	90¼	105½	75	120	92½	..	..	‡115	7
Ray Cons. Cop.	27⅛	7½	37	15	27½	10	15	13⅝	13⅝	..
Replogle Steel	..	..	..	..	93½	18	29	23¼	26¼	..
Republic I. & S.	49½	15¾	96	18	145	41⅛	52⅜	47⅛	47⅝	..
Do. Pfd.	111¼	64½	112⅜	72	106¾	74	92¾	89	92¼	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40½	53⅛	49⅜	50⅜	2.63
Shell T. & T.	..	..	..	..	90¼	30⅞	38¾	35½	35⅞	.92½
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16½	35⅞	31⅞	32	2
Stand. Oil N. J.	*448	*322	*800	*355	*212	38⅜	43¼	40½	41⅛	..
Do. Pfd.	..	..	..	..	120	100⅛	117	116⅝	116⅞	7
Stromberg Carb.	..	..	45¼	21	118¼	22⅛	69	62¼	‡64	4
Studebaker	49½	15¾	195	20	151	37¾	119	112⅛	114	10
Do. Pfd.	98⅛	64½	119½	70	118¼	76	112½	112	‡112	7
Tenn. Cop. & Chem.	..	..	21	11	17¼	6¼	12½	10⅝	11⅞	..
Texas Co.	144	74½	243	112	57¾	29	49	47⅜	47⅞	3
Tex. Pac. C. & O.	..	..	..	..	195	15¾	22⅝	20⅛	20⅛	1
Tobacco Prod.	145	100	82¾	25	115	45	58⅛	50⅛	51¾	..
Transcontl. Oil	..	..	..	..	62⅝	5⅝	14½	10⅞	11	..
United Fruit	208½	126½	173	105	224⅞	95¾	161¾	152½	161	10
Un. Retail Stores	..	..	..	..	119¼	43½	78¾	67¼	70	2
U. S. Ind. Alco.	57¼	24	171½	15	167	35¼	68⅞	62⅝	63¼	..
U. S. Rubber	59½	27	80½	44	143¾	40½	62	55	59⅝	..
Do. Pfd.	123½	98	115¼	91	119½	74	105	99	101⅝	8
U. S. Smelt. & R.	59	30⅜	81½	20	78⅛	26	40⅛	35	37	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	108¾	104½	105¼	5
Do. Pfd.	131	102½	123	102	117½	104	123½	121¼	121⅞	7
Utah Copper	67½	38	130	48½	97½	41⅛	66½	62½	63⅞	2
Vanadium	..	..	..	..	97	25⅛	39⅛	34¼	35½	..
Va.-Caro. Ch.	70⅜	22	60¾	15	92½	20¾	25¼	23⅛	23½	..
Do. Pfd.	129½	62	115⅜	80	115⅞	57¾	64	62⅛	61½	..
Western Union	86¾	56	105½	53⅜	121¼	76	113	109½	109¾	7
Westinghouse Mfg.	45	24¾	74⅞	32	59⅞	38⅞	61⅜	58⅜	59½	4
White Motors	..	..	60	30	86	29¼	52	48⅜	49½	4
Willys Overland	*75	*50	*325	15	40¼	4½	8⅛	6⅞	7⅛	..
Wilson Co.	..	..	84¾	42	104⅞	27½	37¾	36	37½	..
Woolworth	177⅜	76⅛	151	81½	223	100	204¾	199⅜	201	8

* Old stock ‡ Bid price given where no sales made.

ANSWERS TO INQUIRIES

(Continued from page 632)

preferred stock outstanding, so that this preferred stock has good asset value behind it.

BROOKLYN RAPID TRANSIT

Reorganization Planned

How do you regard Brooklyn Rapid Transit certificates?—J. L., Flushing, N. Y.

The Brooklyn Rapid Transit plan that is now being considered by various committees, it is semi-officially announced, will provide that stockholders subscribe to 6% bonds and preferred stock to extent of 35% of their holdings. This announcement caused a decline in the stock. However, earnings of Brooklyn Rapid Transit are showing up very well. For the year ended June 30, 1922, $3,000,000 in excess of all charges was earned, including the interest not being paid, and for the year to end June 30, 1923, it is estimated that the surplus will be somewhat in excess of this amount. Under these circumstances, we feel that the stock at present levels has possibilities for the long pull.

FREEPORT TEXAS

Stock Appears High Enough

Do you consider that Freeport Texas stock is entitled to sell at higher levels?—H. D., Rockville, Md.

The capitalization of Freeport Texas Company now consists of 729,844 shares of stock of no par value, the bond issue having been retired or converted into stock. For the year ended November 30, 1921, a deficit was reported of $393,902 as against a deficit of $38,982 in 1920. In 1919 surplus available for dividends was $624,839. For the nine months ended August 31, 1922, only 54 cents a share was earned on the capital stock. Working capital of the company as of May 31, 1922, was 4.5 millions and there were no bank loans. You can readily see, therefore, that the earning power of the company has been small compared with the number of shares outstanding. At present levels of 21 the stock would appear to be high enough.

SHELL UNION

Not Attractive Now

I hold 200 shares of Shell Union Oil stock and would like your opinion as to whether it is desirable to hold or switch into something else.—T. H. D., San Francisco, Cal.

We do not feel that Shell Union stock has very good possibilities for enhancement in value at this time. The capitalization is heavy, there being 8,000,000 shares of common stock. Moreover, the price of California crude, where the company has its largest production, has had a big drop and this is affecting earnings. Favor a switch of 100 shares into Mother Lode Coalition, selling around 11 and paying $1, and a switch of 100 shares into American La France Fire Engine, selling around 11 and paying $1. By making the switch you would be getting an immediate return on your investment and have stocks which, in our opinion, have better prospects.

A WOMAN'S FUNDS

Common Stocks Too Speculative

Do you consider common stock of railroads safe and desirable investments for a woman's funds? I hold some Norfolk & Western. Is this good and are there any other railroad stocks you would recommend? While I cannot afford to take much risk, I do not feel that I want to place my money in high-grade bonds that only return 5½%, as I have been advised to do. Any investment sugestion that will give me a good return without too much risk will be appreciated.—O. H. L., Des Moines, Ia.

Common stocks of railroads, even the best, are to be regarded as speculative, and we do not consider them as desirable investments for a woman. Moreover, at the present time, the outlook for the railroads generally is quite uncertain, as the radical element in Congress is apparently going to make a strong effort later on to force through legislation which may react unfavorably on railroad securities. We consider Louisville & Nashville one of the most attractive of the railroad stocks, but our advice would be to sell this stock and put your funds in a good bond or a high-grade preferred stock. We are pleased to suggest the following investments which would give you a good return on your money:

	Price	Yield
Cosden & Company 7% preferred...	102	6.8%
Sinclair Consolidated 1st Lien & Collateral 7s, 1937............	101	6.9%
Public Service of N. J. 5s, due 1959	85	6.0%
American Woolen 7% preferred....	110	6.3%
North American Company preferred	45	6.6%

By distributing your funds among these issues you would be getting a good return and, in our opinion, a sufficient degree of safety.

WILLYS-OVERLAND

Made Money in 1922

As a holder of Willys-Overland stock I would like to have your opinion on the outlook of the company.—D. N. M., Joliet, Ill.

It is estimated that for the year ended 1922 Willys-Overland showed a profit of around $4,000,000 and this was after deducting about $300,000 for inventory losses and contingencies and $570,000 for discounts and expenses in connection with the $16,500,000 7% gold-note issue. It appears that this company made a good house cleaning in getting rid of certain unprofitable properties and in giving up its own agencies and allowing dealers to handle its cars instead. Balance sheet of the company as of September 30th, 1922, shows considerable improvement, working capital, after deducting the $16,500,000 7% notes, due December 1st, 1923, was $7,500,000 as against $3,000,000 December 31st, 1921. As of December 31st, 1921, the company's bank loans were about $18,-500,000 and as of September 30th, 1922, they were only $750,000. They were largely taken care of in the early part of 1922

by arranging with the bankers, whereby the latter took $16,500,000 7% notes. The company undoubtedly made a good deal of progress last year and we feel that a more optimistic view in regard to its securities is warranted.

MAGMA COPPER
A Correction

In answer to an inquiry printed in the January 20 issue of THE MAGAZINE OF WALL STREET there were two typographical errors in the figures given for ore reserves and production. The correct figures are as follows: Ore reserves are estimated by the management at 1,505,000 tons, assaying 5.60% copper, 3 ounces of silver and *50 cents* gold. It is stated that by far the greater part of these ore reserves can be considered fully developed. The capacity of the company's concentrator is being increased to 600 tons daily, and on the basis of mining 600 tons daily of sulphide ore and 25 tons of carbonate ore the production of the mine should reach 24,000,000 *pounds* per annum.

BUTTERICK CO.
Long-Pull Possibilities

I would appreciate your opinion on Butterick Co. stock of which I have 100 shares purchased at 31.—V. K. H., White Plains, N. Y.

Butterick has been a great disappointment in the market but we feel the stock has rather good long-pull possibilities. In 1921, over $5 a share was earned and in the first six months of 1922 over $2 a share was earned on the stock. The company is in good financial condition with a working capital alone equal to about $18 a share. We believe it advisable to hold.

ANACONDA
Sale of Stock Advised

Would like your opinion as to what the recent financing by Anaconda and acquisition of American Brass and Chile will mean for stockholders. I hold fifty shares at 42 and am willing to take profits if nothing very attractive is in sight at this time.—J. K. L., Shreveport, La.

Anaconda has greatly enlarged its organization by acquisition of the American Brass Co. and Chile Copper. The acquisition of American Brass increased the company's outstanding stock to $150,000,000 with a par value of $50. In order to pay for the acquisition of Chile Copper and to retire Anaconda $23,080,000 series B 7% gold bonds, the company is selling $100,000,000 6% first consolidated mortgage bonds and $50,000,000 debentures. It is estimated, however, that with the present rate of output of Chile Copper even with the low price prevailing during the recent period of depression in the copper industry, the earnings of the company will be more than sufficient to carry the interest and all charges made necessary by the purchase and with increased production which is in sight, this earning power should increase sufficiently to show

(*Please turn to page* 670)

Current Bond Offerings

Anaconda Copper Company Issues the Feature

WITH one exception, there was no special feature connected with the new bond market. That exception was the double offering of Anaconda 6s and 7s, the aggregate par value of which amounted to $150,000,000, by far the largest corporation offering ever attempted in the New York market. Both issues, however, were completely taken, in the opinion of leading bankers. Another large issue was the $50,000,000 Republic of Cuba 5½s, distribution of which was a little slower than that of the Anaconda issues.

Were it not for the Anaconda and Cuba issues, it could not be said that there was an especially heavy volume of new offerings. Most state and municipal issues were limited to small amounts. There were several railroad issues but not of large size. Industrials, outside of the Anaconda issues, were very small.

Saturation Point Reached?

Some attention is being called to the large volume of offerings since the beginning of the year and the question has occurred whether the bond market has not temporarily reached the saturation point.

NEW BOND OFFERINGS

	Amount	Yield Off'd (%)
STATE AND MUNICIPAL		
Atlantic City, N. J....	$500,000	4.50
Albemarle Co., Va....	500,000	4.50
St. Paul, Minn.......	600,000	4.00-4.05
FOREIGN		
Republic of Cuba...	$50,000,000	5.55
PUBLIC UTILITY		
Indiana Elec. Corp..	$4,500,000	6.37
Okla. Gas & El. Co.	1,000,000	6.12
Central P. & Lt. Co.	3,000,000	6.75
RAILROAD		
N. Y., Chi. & St. Louis R. R. Co...	$7,274,000	6.00
Indianapolis U. Ry..	4,000,000	5.10
INDUSTRIAL		
Anaconda Cop. Mining Co.	$100,000,000	6.00
	50,000,000	7.00
American Glue Co.	2,500,000	5.00-5.80
Columbia S. Corp.	4,000,000	7.00
FARM LOAN		
Liberty Central Jt. Stk. Land Bank...	$1,000,000	4.95-5.00
Mississippi Jt. Stk. Land Bank.......	600,000	4.62-5.00
Tennessee Jt. Stk. Land Bank.......	400,000	4.62-5.00

A very significant development was the passage of the constitutional amendment by the House of Representatives for the purpose of limiting tax-exempt issues. As a result, demand for the best of these issues has stiffened considerably in the past few weeks.

The Outlook for New Financing

A great deal of railroad financing is expected during the coming year and there are prospects for a considerable amount of public utility and industrial financing. The outlook for money rates during the near future is favorable but, with business expanding, it is possible that rates will be raised toward the summer which may have some effect on the rate of output of new bond issues.

SHOULD TIRE STOCKS SELL HIGHER?

(*Continued from page* 612)

for the first half of 1922 indicates earning power is large enough to cover interest on these bonds and the present outlook indicates the margin above requirements ought to increase.

There is no present way of determining when dividends will be resumed upon the preferred shares, but the six months' statement, above referred to, shows that they were earned in the first half of 1922. **Therefore, these stocks possess at least possibilities in the direction of dividends.**

The common stock is not close enough to the dividend stage to comment with reasonable conjecture on that score, and market trend is likely to be governed by the group movement of the tire stocks.

Lee Rubber and Tire

Dividend Prospects

LEE RUBBER is one of the smaller tire companies with total capitalization of only 150,000 shares. The company was organized late in 1915 and early in 1916 the stock had rather a sensational rise to 56½. The highest point since then has been 40, in 1919. The shares sold as low at 10⅞ in 1917 and at that time it was gossiped freely that production plans had gone wrong and that output was not meeting with favor. Further gossip said that a thorough readjustment of affairs had been made and weak spots eliminated. At any rate, the records show that from 1917 through 1919 no dividends were paid and it must be remembered that this was a period of considerable prosperity for the tire people. In 1920, dividends of $1,50 a share were disbursed and it was apparent that earning power had been materially built up during the preceding three years. All through 1921 and 1922, when practically all the tire companies had abandoned the idea of continuing dividends on the common stock, Lee continued to pay at the rate of $2.

In the nine months ended September 30, 1922, earnings per share, after taxes, were $1.85, indicating that the dividend for 1922 will be shown to have been earned when

final figures are published. According to latest available reports, the financial position is clean. As of September 30, 1922, there were no notes payable to banks and no other payables, except those representing current running expenses. Lee did not have to do any financing through the deflation period; came through without suspending dividends and with a material increase in the volume of business as measured in units. In other words, if the improvement in the tire business becomes pronounced, there may be a possibility of increased dividend returns on Lee common. The stock, however, is more or less of a specialty, in that it ordinarily does not command an active market. **Nevertheless, it seems one of the most attractive of the so regarded smaller tire companies.**

Ajax Rubber

Its Outlook in Normal Times

AFTER enjoying the prosperity of 1917, 1918 and 1919, Ajax went into the storm in fairly comfortable shape, but at the end of 1921 notes payable had reached 5 millions and while there had been a heavy write down in inventories during that year, the company found it advisable to fund this debt. Consequently, an issue of 3 million dollars 8% first mortgage bonds were sold at the end of 1921 and in January, 1922, 200,000 shares of no par stock were issued to shareholders at $12.50 a share. The total proceeds of financing served to write off the floating debt and strengthen the current balance sheet position. Previous to this financing with capital stock Ajax had 200,000 shares outstanding with a par value of $50. The present share capitalization is 425,000 shares of no par value. The change from $50 par to no par was made in January, 1922, and was coincident with the sale of additional stock.

While it was not unusual in 1921 for corporations to have to issue bonds with as high a coupon rate as 8%, still such a rate comes in the class of expensive financing and was one of the penalties of the deflation period. The 8% bonds of the Ajax Company are due in 1936 and are callable at 110. At current market prices they are some 14 points under the callable price and thus give an income return of over 8%. They seem to be a fair risk and a bond capable of improving market position should the company continue to regain earning power.

Ajax suffered a total deficit of about 6.5 millions in 1921 and 1920 and had a profit and loss deficit of over 3 millions at the end of 1921; consequently stock financing of early 1922 and the change in par value was really in the nature of a readjustment. Earnings for the six months ended June 30th, 1922, after interest charges, were equal to 45c. a share on the outstanding stock.

In the opinion of the writer, Ajax common is a stock which will be able to show some substantial earning power in times of unusual prosperity in the rubber industry, but whether the company on the present amount of stock can earn a substantial surplus in normal times is an open question.

FOREIGN TRADE AND SECURITIES

(Continued from page 595)

sult has been a net decline in export trade, and increasignly tense competition for what export business is to be had.

United States Much the same as in England, except that we had a great opportunity during the war to extend permanently our export trade in steel products, which advantage, so far as we can judge now, we have lost. Here the story is one of rapidly declining exports, except as there exists a temporary emergency demand for our products. Where there has been increase in our financial participation in the economic life of foreign countries, e. g., Central and South America, there has been an improvement in the status of our steel export trade, a fact whose importance will be dwelt upon later.

The changes which the war has made in the steel industries of France and Germany are so important that they should be given more detailed treatment. Before the war, the ore production and the iron and steel-making capacity of the Lorraine district were roughly evenly divided between French and German territory. The turning over of the entire district to France has had the following effect (without deduction for war- and post-war changes):

	1913 French part	1913 German part	1923 (Theoretical)
Pig Iron Production..........	3,493,000 tons	3,870,000 tons	7,363,000 tons
Steel Production	2,299,000 tons	2,286,000 tons	4,585,000 tons
Blast furnace stacks	60	68	128
Basic Bessemer converters...	25	27	52
Open hearth furnaces........	11	10	21

During the war, however, from 35 to 40% of the foregoing steel and iron capacity was lost, and since then about half of the loss has been made good, so that the actual capacity of the Lorraine district at present is roughly 5 million tons of iron and 3.5 million tons of steel a year. In actual production of ore France has gained 21 million tons annually, or ¾ of the total German production before the war, while the estimated ore reserves of the district have put France far in the lead of all European nations in the matter of ore reserves owned.

The net result of this situation is that, supposing the pre-war iron and steel factories of France to be reconstructed, she would have an exportable surplus of 17 million tons of ore, 1.3 million tons of cast iron and 2.1 million tons of steel.

Plans of French Steel Interests

But French steel interests are not satisfied with building up the trade required to take care of this surplus alone. Looking further into the future, they see the possibilities of using the surplus ores of the Lorraine district in combination with the coal of Germany to create additional steel capacity for export trade, so that eventually France could become the biggest steel power on the Continent, with a fair chance of displacing England in the steel hegemony of Europe.

Germany is by now pretty definitely out of it, her losses through the Treaty of Versailles being too heavy. Of the 272 blast-furnaces which Germany had before the war, about 90 are in active operation at the present time, and in potential ore reserves she has sunk from first place in 1913 to fourth. At the present time she is producing ore at the rate of some 8-9 million tons a year, while even the reduced blast furnace capacity could take care of 26 millions. She is left therefore with the problem of finding some 18 million tons of ore annually to keep her furnaces busy.

The need on both sides of some sort of economic understanding is therefore clear, and it has been clear since the armistice that gradually plans for cooperation in this direction have been maturing. For Germany this would mean her economic salvation, if anything could bring that about; for France, the beginning of a new era of industrialism, based on the successful outcome of the war.

Two sets of facts should be brought into close connection here: France obtained from Germany as a result of the war, 40% of her blast furnaces, 30% of her steelworks, and 28% of her rolling mills. As a result, her steel industry was so strengthened that, alone of all the nations of the world, she exported more steel during the depression year of 1921 than ever before the war, in fact twice as much, as the following figures indicate:

	Monthly average exports, tons
1912	41,500
1913	48,200
1921	100,000

The world steel situation as it stands at present, after the profound modifications caused by the war, shows us France as the only country which has emerged better equipped to fight for the steel export than before, except for the United States. Not only is France as she stands today better equipped to contest with us the mastery of the steel export trade, but if she can get through a working arrangement with the German interests in the Ruhr she will be even better equipped for the struggle. A combination of German coal surplus and French ore surplus, whether in the form of an ordinary business merger, towards which negotiations have been heading for a long time, or by political compulsion,

with the help of military occupation in the name of reparations, would make France irresistible in the world's steel industry.

The place that would be left for the American steel industry would tend to become more and more restricted as the power of such a powerful steel combination on the Continent increased. **The period is already approaching when the export trade will be recognized as vital to the existence of a flourishing American steel industry, as the home market becomes less and less profitable. Our steel factories have a surplus capacity estimated at 15 or 20% in excess of normal domestic requirements, and unless they can find sufficient markets abroad to keep the extra 15% of capacity occupied cannot make really big profits.** The American steel industry will therefore bend every effort to expand its export trade, and in so doing will collide with the efforts of France in the same direction.

It is impossible to predict which will come out victor in the struggle. France has lower labor and production costs, lower interior transportation costs, especially if the union of Ruhr coal and Lorraine ore is brought about, while we have the advantage of bigger and better equipment for mass production. The great advantage on the side of the American industry, however, is the growing power of American finance, as indicated by the increasing loans to foreign countries, particularly semi-developed ones like South America. We are now in a position to do what England did all through the nineteenth century and what France and Germany started to do much later—build up undeveloped countries through our financial power, increase our exports to them, lend them more money to finance further exports, meanwhile getting cheap raw products and eventually large returns on the invested capital, while our export trade increases by leaps and bounds.

This has been the normal course of development of all large exporting countries, and it is at this stage that we shall meet the full force of the competition of an industrially rejuvenated France.

INTERNATIONAL NICKEL CO.

(*Continued from page* 624)

is pushing by means of an extensive and persistent sales propaganda.

This is all the more necessary at the present time as the growing movement toward disarmament is taking away a good deal of the trade which the company enjoyed before the war. Much nickel was then required for shells, armor plate for large ships, cannon, etc., Germany especially being a heavy customer. As the latter country is out of it, and many of the others are trying to decrease the more obvious forms of armaments, the company has been compelled to look around for more business of a permanent kind.

Capitalization consists of 8.9 millions of a 6% non-cumulative preferred and

41.8 millions of common of a par value of $25, reduced from $100 in 1916.

Earnings from the incorporation of the new company in 1912 till 1919 were very good, averaging $19.37 a share on the old common of $100 par. With the end the war, whose effects were first shown in the fiscal year ending March 31, 1920, earnings dropped off heavily, amounting to $1.32 a share on the $25 par stock, while the following year only $0.89 a share was earned, and in 1922 a deficit of 1.3 millions. In the six months ending September 30, 1922, the company showed a deficit of $106,000, which may have been made up by the more profitable operations of the last quarter of 1922. Operations at the present time are expected to show a small profit, though it is doubtful whether this will be enough to cover preferred dividends of $534,000 annually.

In accordance with conventional mining financial practice, the company has been distributing by far the largest part of its earings as dividends to stockholders, as the accompanying tabulation indicates. The recent poor earnings have raised the question of the continuance of dividends on the preferred, but as these payments were continued during the worst of the depression and as some improvement is now indicated, it may fairly be assumed that the distributions will be continued.

Finances

The financial position has always been strong, the most recent balance sheet, as of September 30, 1922, showing current assets of 10.8 millions against current liabilities of $730,000. Cash and secured call loans together amounted to 2.3 millions, while Government securities, which had been as high as 2 millions at the end of 1916, were down to $100,000. An interesting feature is the steady decline of inventories to 7.3 millions from the high point of 12.2 reached in June, 1921.

The surplus, which had amounted to nearly 5 millions at the end of 1913, was nearly doubled, at 9.6 millions, by September of last year, in spite of the run of quarters in which operations were at a deficit. This is reflected in the growth of the property account (after deduction of reserves for depreciation and depletion) from 45.5 millions to 50.6.

The position of the company at the present time is hard to fix, because of the uncertain elements in the trade outlook for nickel and for Monel metal. The results of the company's energetic efforts to promote the sale of the latter are showing in a steadily increasing demand, but it may be a long time before the 500,000 pounds monthly of the latter alloy now being rolled increase to a point where earnings will approximate those of the prewar period. At the same time nickel, while not exactly a war baby, as shown by its excellent earnings record before 1914, and even by the old company before the incorporation of the present one, would certainly stand to gain considerably in the event of armed military conflict in Europe. On the other hand, the normal industrial demand for its product might fall off during 1923 in the event of war or even without such an event through the operation of the various unfavorable factors now on the horizon.

Conclusion

The preferred is selling around 76-77, at which price it yields slightly under 8%. In view of the uncertainties which still surround the continuance of dividend payments, we do not think it particularly attractive even at this price.

The common is now around 15, in which neighborhood it has been selling for a long time. While it seems low at this price, and the company undoubtedly has possibilities of good profits, either quickly in the event of a war or in the long run through the development of its industrial business, still it must be remembered that this price is the equivalent of $60 a share for the old stock of $100 par value, which is a good deal to pay for a stock that has not been earning preferred dividends for a year and a half and is not known for certain to be earning them at the present time.

AMERICA'S GOLDEN GOOSE

(*Continued from page 603*)

who are optimistic point to the constantly increasing replacement demand, the growing taste for cars, and, above all else, the indication that, in large measure, motor transportation both for human freight and everyday freight will be the major transportation machinery of tomorrow.

Certainly, if the industry is due for a reaction, the present average level of motor securities is not attractive to investors. As an accompanying chart will show, representative motor issues have recovered to what might consistently prove a "one-year peak" (on the theory, encouraged by the graphic chart showing, that the industry's representative securities complete a cycle once each year). Whether or not it has a reaction in store, the industry is certainly at a point which calls for the most judicious discrimination in respect of new commitments in its securities.

Certainly, the leaders of the industry show no signs of worry or hesitancy. Some of them are buoyant; others mildly optimistic.

Perhaps, among the official views gleaned by the writer of late, the most impressive was that of President Erskine, of the Studebaker organization. Mr. Erskine prefaced his remarks with some rather keen observations on the fallibility of the industrial prophet, indicated that he placed his faith in performances rather than predictions and said his motto was:

"Go as far as you can see—and see how far you can go!"

And somehow or other that seems to fit the motor industry at this time better than anything else that could be said. The Golden Goose will keep on going just as long as the going's good.

And the Golden Goose has had wonderfull going so far, there's no gainsaying that!

HOW WILL HIGHER PRICES AFFECT TRADE?

(*Continued from page 604*)

these movements, however, has as yet been only slight.

Little light is thrown on the coming developments in the retail price field by the movement of wholesale prices. A rise in wholesale prices usually precedes a retail increase by several months, but the wholesale price curve has shown very little change since mid-summer, and the total increase from the low point of 1921 has been less than 10%.

The tendency of food prices is influenced somewhat by the increasing activity of chain store organizations which, by methods of wholesale buying and, in some cases, manufacturing, are able to control prices in a way beyond the power of the individual store. Many of these organizations now have branch stores in various cities of the country, and one of the largest has a total of more than 5,300 individual stores throughout the country. **It is obvious that an organization of this character, with facilities for importing, processing, manufacturing, packing and buying goods on a tremendous scale can undersell its competitors.** Evidence of this fact is abundantly furnished by the rapid development of chain store organizations as well as by a comparison of prices on almost any staple article in the chain store and in the old-time corner grocery.

The influence of the chain store moreover is not limited to the grocery trade, as recently these organizations have sprung up in various retail fields. Aside from food products the most popular lines apparently are clothing, shoes, meat products, confectionery, the novelty and 5 and 10c store business, cigars, bakery products and drugs. They may also be found in the furniture business, sporting goods, optical goods, musical instruments, cutlery, jewelry, stationery and various other lines.

The effect of the chain store in the grocery trade has been such as to break up some of the old wholesale organizations which have been the principal distributors for many corner grocery stores for years past, and to jeopardize the position of jobbers and other middlemen. The effect has been sufficiently revolutionary so that the wholesale grocery houses as an institution may be a passing figure.

If it is true that a more economical system of distribution of food products has been devised in the form of the chain store organization, this saving will probably suffice to establish the chain store as a prevailing unit of distribution. If this is true of food products, there is likelihood that the movement will similarly spread to the other lines by which the chain store idea has already been taken up.

The principal obstacle to the universal application of this system will then be legal bars to monopolization.

UNLISTED UTILITY BOND INDEX

POWER COMPANIES

		Asked Price	Yield
Adirondack P. & Light 1st. & Ref. 6s, 1950	B..	101	5.90
Adirondack Electric Power 1st 5s, 1962	A..	96½	5.20
Alabama Power Co. 1st 5s, 1946	A..	92½	5.60
Appalachian Power Co. 1st 5s, 1941	B..	90½	5.85
Calif.-Oregon Power Co. 1st & Ref. 7½s Series A, 1941	B..	108	6.70
Central Maine Power Co. 1st & Gen. Mtge. 7s Series A, 1941	C..	103	6.65
Central Maine Power Co. 1st 5s, 1949	A..	93 bid	5.50
Central Georgia Power Co. 1st 5s, 1938	A..	90	6.00
Columbus Power Co. (Georgia) 1st 5s, 1936	A..	97	5.30
Colorado Power Co. 1st 5s, 1953	B..	92	5.55
Consumers Power Co. (Michigan) 1st 5s, 1936	A..	96	5.40
Electric Development of Ontario 5s, 1933	A..	96¼	5.40
Great Northern Power Co. 1st 5s, 1935	B..	95	5.60
Great Western Power Co. 1st & Ref. 7s Series B, 1950	B..	107	6.35
Great Western Power Co. 5s, 1946	A..	93½	5.50
Hydraulic Power Co. 1st & Imp. 5s, 1951	A..	99	5.05
Idaho Power Co. 5s, 1947	B..	94	5.40
Laurentide Power Co. 1st 5s, 1946	B..	95	5.40
Madison River Power Co. 1st 5s, 1935	A..	99	5.10
Mississippi River Power Co. 1st 5s, 1951	A..	95	5.32
Niagara Falls Power Co. 1st & Cons. Mtge. 6s, 1950	A..	105	5.60
Ohio Power Co. 1st & Ref. 7s, 1951	B..	106	6.55
Penn.-Ohio Power & Light Notes 8s, 1930	C..	103	7.50
Potomac Electric Power Gen. 6s, 1923	A..	100	6.00
Puget Sound Power Co. 1st 5s, 1933	A..	95	5.60
Salmon River Power 1st 5s, 1952	A..	95½	5.30
Shawinigan Water & Power Co. 1st 5s, 1934	A..	99	5.10
Southern Sierra Power Co. 1st 6s, 1936	A..	100 bid	6.00
Southwest Power & Light 1st 5s, 1943	B..	89½	5.90
West Penn Power Co. 1st 7s, 1946	B..	105½	6.65

GAS AND ELECTRIC COMPANIES

		Asked Price	Yield
Bronx Gas & Electric Co. 1st 5s, 1960	B..	89	5.70
Buffalo General Electric Co., 1st 5s, 1939	A..	101	4.80
Canton Electric Co. 1st 5s, 1937	B..	97½	5.25
Cleveland Elec. Illum. Co. 5s, 1939	A..	99½	5.05
Denver Gas & Electric Co. 1st 5s, 1949	A..	94½	5.40
Duquesne Light Co. Pittsburgh 7½s, 1936	B..	107½	7.10
Evansville Gas & Electric Co. 1st 5s, 1932	B..	92	6.10
Indianapolis Gas Co. 1st 5s, 1952	A..	88½	5.80
Los Angeles Gas & Elec. Gen. 7s, 1931	C..	105½	7.85
Nevada Calif. Electric First 6s, 1946	B..	97	6.30
Okla. Gas & Electric 1st & Ref. 7½s, 1941	B..	96	5.80
Okla. Gas & Electric 1st Mtge. 5s, 1929	A..	104	7.10
Rochester Gas & Electric Corp. Series B 7s, 1946	B..	110	6.20
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	A..	94	5.55
San Diego Cons. Gas & Electric 1st Mtge. Ref. 6s, 1939	B..	101¼	5.90
Standard Gas & Electric Conv. S. F. 6s, 1926	B..	100	6.00
Standard Gas & Electric Secured 7½s, 1941	C..	104	7.10
Syracuse Gas Co. 1st 5s, 1946	A..	94½	5.40
Twin State Gas & Electric Ref. 5s, 1953	C..	83	6.25

TRACTION COMPANIES

		Asked Price	Yield
American Light & Traction Notes 6s, 1925	*B..	*101	5.65
Bloomington Dec. & Champ. Ry. Co. 1st 5s, 1940	C..	74	7.75
Danville, Champ. & Decatur 5s, 1938	B..	90	6.00
Georgia Railway & Power 5s, 1954	B..	90	5.70
Kentucky Traction & Terminal 5s, 1951	C..	76	6.90
Knoxville Railway & Light 5s, 1946	C..	86	6.15
Milwaukee Light & Heat & Traction 5s, 1929	A..	97	5.60
Monongahela Valley Traction Co. Gen. Mtge. 7s, 1923	C..	100	7.00
Memphis Street Railway 5s, 1945	C..	79	6.80
Northern Ohio Traction & Light 6s, 1926	B..	97	7.00
Nashville Railway & Light 5s, 1953	B..	93	5.45
Portland Ry. P. & L. 1st & Ref. Series A 7½s, 1946	C..	106	7.30
Topeka Railway & Light Ref. 5s, 1933	C..	87½	6.75
Tri-City Railway & Light 5s, 1930	C..	92	6.30
United Light & Rys. Ref. 5s, 1932	C..	89	6.50
United Light & Rys. Notes 8s, 1930	C..	106 bid	7.00

TELEPHONE AND TELEGRAPH COMPANIES

		Asked Price	Yield
American Tel. & Tel. 5-Year 6s, 1924	A..	101	5.40
Bell Tel. Co. of Canada 1st 5s, 1925	A..	98	5.70
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	95	5.40
Home Tel. & Tel. of Spokane 1st 5s, 1936	A..	94	5.60
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	97	5.40

* Without warrants.
A—High Grade. B—Middle Grade. C—Speculative.

HYDRO-ELECTRICS CONTINUE IN FAVOR

Freedom from Effects of Coal Strike of Last Year Is Attracting Bond Buyers

NOTHING could have demonstrated more strikingly the advantages possessed by those companies generating electric energy by means of cheap water power than the coal strike of last year. It is attracting more and more attention to this class of public utility with the result that good bonds of these companies are in demand. While earnings statements of public utility companies for 1922, which are beginning to come out, will show generally one of the best years since 1917, statements would in many cases have been much better were it not for the fact that many companies using coal as fuel were compelled to go into outside market for their requirements.

Advantages of the Hydro-Electric Companies

As it was, the coal strike compelled many companies to pay much higher prices. Several of the large companies such as Consolidated Gas and Public Service Corporation of New Jersey were obliged to import the Welsh product to insure adequate fuel supplies.

The hydro-electric company, except for small auxiliary plants, has no worries as to fuel supplies. Its expense is confined chiefly to cost of distribution and small labor item needed to run the plants. Earnings are steadily forging ahead with the prospect that perfection of facilities for transmitting power over longer distances may in time make it possible to deliver cheap power in territory now being supplied by expensive means. This is a factor to be considered.

Adirondack Power & Light Corp.

Statement of Adirondack Power & Light Corp. for year ended December 31, 1922, makes an extremely favorable showing compared with the previous year. Report just published shows gross earnings increased almost a million dollars standing at $5,700,000 for last year. Balance after taxes and depreciation and available for fixed charges amounted to $665,964 last year against $399,564 for 1921.

The first and refunding 6% bonds of 1950 appear to be a good strong issue and at the asked price of 101 a yield of 5.90% is shown on the investment if held to maturity. Eliminating the maturity feature, recession in the unlisted bond market might enable purchase around par where a straight return of 6% would be shown without waiting until the issue is retired.

The company operates in upper New York state north and west of Albany and its electric output is generated mainly by water power. Several comparatively small gas plants are also operated.

Up to March 1, 1925, the bonds are callable at 107½ and thereafter at lower prices.

For those interested in bond investments of good calibre with comparatively high yield, this issue would seem to fulfill both requirements.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

American Type Founders	66 — 70	New Jersey Zinc	170 —173
Atlas Portland Cement	60 — 63	Niles-Bement-Pond	48 — 51
Babcock & Wilcox	106 —109	Phelps-Dodge Corp'n.	162 —168
Borden Co.	115—116½	Royal Baking Powder	123 —130
Bucyrus, pfd.	100 —105	Pfd.	100—100½
Celluloid Co.	97 —100	Savannah Sugar	37 — 42
Childs Co.	127 —131	Pfd.	90 — 93
Pfd.	109 —112	Singer Mfg. Co.	107 —109
Congoleum Co., 1st pfd.	93½— 95	Thompson Starrett	75 — 85
Congoleum, com.	130 — ..	Victor Talking Mach. (New)	158 —162
Crocker Wheeler	50 — 55	Ward Baking Co.	125 —130
Pfd.	93 — 98	Yale & Towne	58 — 61
Jos. Dixon Crucible	137 —142	Lawyers Mtg.	158 —162
Gillette Safety Razor	†270 —280		
Ingersoll Rand	104 —110		

†Listed on N. Y. Curb Exchange.

Five Interesting Issues

FREQUENT general statements have been made in this Department to the effect that many of the corporations represented in the over-the-counter market represent the best to be found in American industry—among the very oldest and most strongly intrenched corporations we have, that is, engaged in essential or near-essential lines, and enjoying a very large earning power.

With the idea of substantiating these generalities, this issue of the Department is given over to a statistical analysis of five over-the-counter companies, the same phases of each company, so far as possible, being covered in each analysis. From this study it is hoped readers of the Department will be able to judge how much in the way of intrinic investment value the over-the-counter market actually does offer.

In addition to the companies analyzed below, it was the original intention to cover the Borden Co., the American Piano Co. and Gillette Safety Razor Co. Because additional facts of importance with regard to the latter companies are expected shortly, it has since been deemed advisable to postpone their analysis until the next issue.

Yale & Towne

Par Value $25—Annual Rate $4—Yield at $58: 6.90%

Date of Organization: 1868
Products: "Yale" locks, hoists, etc.
Plants: Stamford, Conn., and Staten Island, N. Y.
Foreign Offices: Plants at Ontario, Canada, and London, England, manufacturing products of the company.
Capitalization: Funded Debt: None
Preferred Stock: None
Common Stock: $10,000,000

RECENT EARNINGS

	Net*	Balance Per Share	Dividends Per Share (Including Extras)
1916	$4,002	$57.5	$32.00
1917	3,394	40.2	19.25
1918	4,845	28.2	20.00
1919	4,219	47.3	20.00
1920	4,897	46.5	22.50
1921	2,139	25.4	20.00

*In Thousands.

WORKING CAPITAL: (As of January 1st)*

Current Assets:	1917	1918	1920	1922
Inventories	$2,914	$2,919	$3,340	$2,913
Cash	2,358	2,561	3,062	2,078
Investments	1,524	2,168	3,016	4,635
Total	$6,796	$7,648	$9,418	$10,226
Current Liabilities:				
Accts. Payable	$778	$452	$744	$262
Divs. Payable	83	124	125	250
Reserves for Tax	386	554	871	513
Total	$1,247	$1,130	$1,740	$1,025
NET WORKING CAPITAL*	$5,549	$6,518	$7,678	$9,201

*In Thousands.

Remarks: This is the oldest and most strongly intrenched company in its

line. Extensive advertising has given it a world-wide reputation. Unpreceded by senior issues or funded debt, the company's common shares may be classed as highest grade. The expansion of the building industry has been materially helpful to the company. **The (new) stock's yield is very attractive, especially by comparison with the yields available elsewhere.**

Congoleum Co.

Par: None—Annual Rate $8—Yield at $130: 6.15%

Date of Organization: Succeeded to business, 1919
Product: Waterproof floor-coverings, art rugs, etc.
Plants, Marcus Hook, Pa.
Capitalization: Funded Debt (1st 7s): Authorized and issued, $2,000,000
1st Pfd. Stock (7% Cum.): Authorized, $2,000,000. Outstanding: $1,883,206
2nd Pfd. Stock: Auth. and Otstdg.: $1,000,000 (wholly owned by the Barrett Co.)
Common Stock (No Par): Authorized, 240,000 shs. Outstanding: 100,000 shs.
Recent Earnings: See below.

Working Capital (June 30, 1922):*

Current Assets:		Current Liabilities:	
Cash	$ 542	Accts. Payable	$ 463
Mktble. Securs.	85	Notes Payable	1,400
Accts. Recvble.	3,081	Fedl. Taxes	47
Inventories	1,862		
Total	$5,570	Total	$1,910

NET WORKING CAPITAL:* $3,660.

*In Thousands.

Remarks: Congoleum's remarkable success since organization has been brought out in previous issues of this Department. Equally interesting has been the market advance, recently, in the common stock. As was shown (Jan. 20th) the advance recorded, coupled with the terms of the 150% stock dividend just issued, would have made it possible for the buyer of 100 shares at, say, 80 (the pre-stock-dividend price), who exercised the rights accorded him, to obtain a clear profit in something more than a month's time of over $23,000 on an investment of $8,750.

Also, the company's dividend rate having been increased, investment holders have been much benefited by the stock dividend: The holder of 100 shares of old stock received $400 a year; but the holder of **an equivalent amount (250 shares) of new stock receives $1800 a year.**

The company is described as well supplied with orders and earning ample coverage for its dividend rate.

To yield 6.15%, the common shares appear a fair business man's investment. Congoleum preferred is safe.

New Jersey Zinc

Par: $100—Annual Rate $10 (See Text)—Yield at $170: 5.88%

Date of Organization: 1880
Product: Zinc oxide, spelter, sulphuric acid, etc.
Plants: At Palmerton and Freemansburg, Pa. Mines at Franklin Furnace, N. J.
Capitalization: Funded Debt (1st 4s): Authorized, $10,000,000. Outstanding, $4,000,000
Preferred Stock: None
Common Stock: Authorized $50,000,000. Outstanding, $45,460,400

RECENT EARNINGS:

	Net*	Balance Per Share	Divids. Paid Per Share (Incld. Extras)
1916	$34,028	$95.9	$76
1917	25,413	43.3	46
1918	18,927	32.3	20
1919	10,643	25.6	20
1920	8,368	18.1	20
1921	2,340	4.8	8
1922	....	15.0†	10

*In Thousands. †Estimated.

WORKING CAPITAL: Not reported.

Remarks: While balance sheets are not available to prove it, the drastic decline in New Jersey Zinc's yearly returns in the period covered is believed to have largely represented write-offs on plant and material. With the price-recovery witnessed in 1922, the company stands to benefit doubly from its conservatism.

New Jersey Zinc stock has enjoyed a wide advance since favorable conditions set in. When the stock was first analyzed here, it sold at 124, and today it is 170 bid.

At the last dividend meeting, the corporation declared an extra dividend of 2%, in addition to the regular quarterly dividend of that amount, and in view of the

large margin of earnings over requirements, it is believed at least 10% will be paid this year. Hence, at the beginning of this article, the stock is shown on a 10% basis.

On that basis, the yield is 5.88%. **In view of the company's record and outlook, this is attractive, although not enough so to suggest favoring this stock over other over-the-counter stocks.**

Royal Baking Powder

Par \$100—Annual Rate \$8—Yield at \$123: 6.50%

Date of Organization: 1899
Product: Baking powder and ingredients
Plants: Five plants, located in New York and Indiana
Capitalization: Funded Debt: None
Preferred Stock (6% Cum.): Auth. and outstdg., \$10,000,000
Common Stock: Auth. and outstdg., \$10,000,000
Recent Earnings: Not reported
Working Capital: Not reported

Remarks: Despite this company's policy of not publishing income statements or balance sheets, Royal Baking Powder is generally recognized as the leader and most successful unit in the essential baking powder field. Information obtained in very reliable quarters is to the effect that the company has a surplus in excess of its entire outstanding capital, and that earnings are running several times dividend requirements.

The company's preferred stock issue is entitled to voting privileges in the event of any dividend default, in which case it acquires the right to elect a new board of directors. **Dividends have been paid regularly on this issue, and this record, together with the current high rate of earnings plus the safeguarding clause quoted above, makes Royal Baking Powder preferred, at 100, to yield 6% flat, one of the most conservative investments of its class in any market.**

The common stock received 8% yearly, 1900-1905, inclusive, with 2% extra in 1906; 10% rate, yearly, Jan. 1, 1907-March, 1910; 12% rate yearly, March, 1910-Sept., 1914; 8% rate yearly, Sept., 1914-Dec., 1920. Rate since: 8%.

At the current rate, the common offers a return of 6.50%, which is attractive. The issue may be classed as an unusually sound business man's investment.

Childs Company

Par \$100—Annual Rate: \$8—Yield at \$127: 6.29%

Date of Organization: 1906
Business: Chain restaurants
Facilities: The Childs chain includes nearly 100 units.
Capitalization: Funded Debt: None
Preferred (7% Cum.): Authorized, \$5,000,000. Outstanding, \$4,387,100
Common (Par \$100): Authorized and Outstanding: \$4,000,000

RECENT EARNINGS:

	Net*	Balance Per Share (Common)	Dividends Per Share (Incldg. Extras)
1914	\$731	\$10.6	\$7.50
1915	778	11.8	None
1916	1,075	19.2	4.00
1917	1,273	24.2	6.50
1918	415	2.7	3.50
1919	1,537	27.4	4.00
1920	1,972	41.6	8.00
1921	1,541	30.8	8.00
1922	1,534	30.2	8.00

*In Thousands.

WORKING CAPITAL:*

	1916	1919	1921
Current Assets:			
Cash	\$778	\$1,421	\$1,139
Securities	745	861	1,727
Open Accts.	293	233	404
Inventories	120	260	203
Total	\$1,933	\$2,775	\$3,473
Current Liabilities:			
Accts. Payable	\$952	\$1,189	\$1,167
Reserve for Taxes	....	218	469
Total	\$952	\$1,407	\$1,636
Net Working Capital*	\$981	\$1,368	\$1,837

*In Thousands.

Remarks: Childs has established an enviable prestige in the chain restaurant field, and may be said to occupy a commanding position today. In respect of inventories, the company operates (as do its patrons) on a hand-to-mouth basis, so its relatively small working capital is of little significance. **The common stock may be classed as a very high-grade business man's investment.**

RAISING THE CURTAIN ON THE FUTURE

(*Continued from page 591*)

keen competition in industry will continue indefinitely.

Question 9—What is the general outlook for prices during the next few years?

MR. HOWARD: This is a hard question to answer. If we were guided by historical parallels the conclusion would be that we might expect a few years of good business under highly speculative conditions, to be followed by a long, slow recession in prices, lasting perhaps for 25 or 30 years. The historical parallels, however, of the years following the Napoleonic and Civil Wars cannot be safely appealed to because a dominant factor that was present in those two periods is now absent:

After the Napoleonic Wars the world not only entered the industrial era with its rapid multiplication of productive capacity, but it also had immense sources of undeveloped raw materials to draw on as well as great agricultural regions to develop. Following the Civil War we had virtually all of the Mississippi Valley to develop agriculturally as well as vast areas of forests and minerals. Thus, the tendency after both the great wars of the 19th century was toward an increase of supply as compared with demand, which steadily made for lower prices. **Today the population of the world, notwithstanding war losses, is much larger than ever, is increasing rapidly and there are no new fields of agricultural or raw material supplies still available that are at all comparable with those that were before the world in 1815 and 1865. For this reason I rather expect that we shall not have a long period of falling prices after a short span of activity. In my opinion prices will probably slowly rise in the long run or else remain on the whole about where they are**; the tendency being to reduce present spreads rather than to change average levels.

MR. COMPTON: **Prices during the next few years will be generally and gradually downward.** I think it not unlikely that there will be some increases during the next year and possibly into 1924. In some lines, the price outlook is for a constantly upward tendency. For commodities generally, however, the long-time tendency will, I believe, be downard.

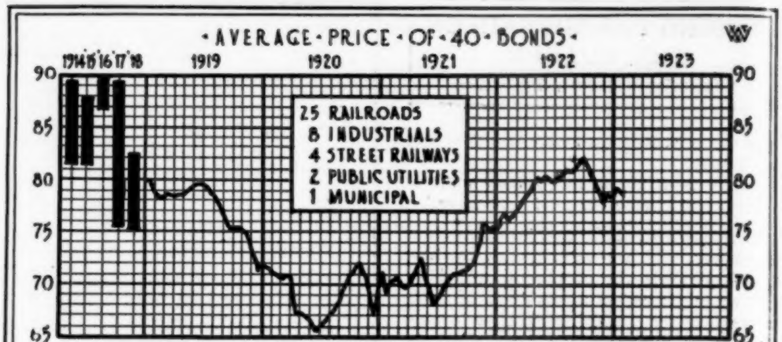
MR. AILES: I do not look for any general decline in prices. The history of the past might give an indication as to what will occur. Following the Civil War we maintained high price levels until the panic of 1873. Following the Napoleonic Wars, England, through inflation, captured the trade of the world, and the collapse did not come until nine years after those wars closed. **I think we have before us a considerable period of high price levels, and I will hardly look for a slow curve downward without an intervening collapse.**

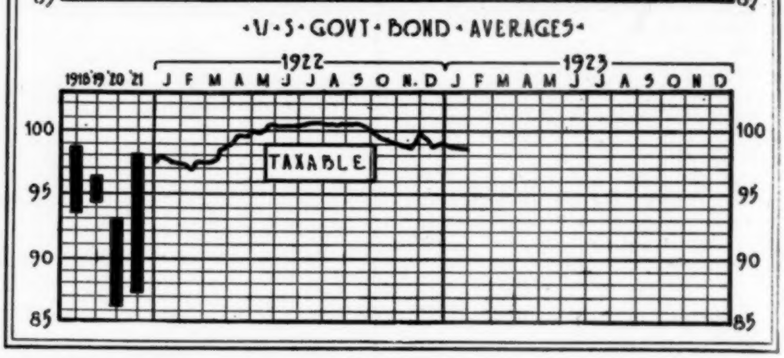
The answers that Messrs. Compton, Howard and Ailes give to the nine questions speak for themselves but it may be worth while to point out some differences. It will be noted that Dr. Compton is more dubious as to the immediate future than the other two respondents. He sees no ground for predicting a sustained boom and appears to be doubtful whether the present activity will last longer than into next year. As to the long view, he inclines to expect a slow, down-hill movement for the next ten or fifteen or possibly twenty years.

On the other hand, Mr. Ailes thinks the tendency will be rather toward stabilization of prices at present levels on the whole for a number of years and he does not look for a long, downward movement unless there should be first a decided collapse.

Mr. Howard, it will be noted, suggests that the situation now is such that analogy of the post-Napoleonic and post-Civil War periods is not applicable. He not only expects a rise in prices in the immediate future, but anticipates a long-swing maintenance of present or higher prices instead of the gradual decline that the historical analogy suggests.

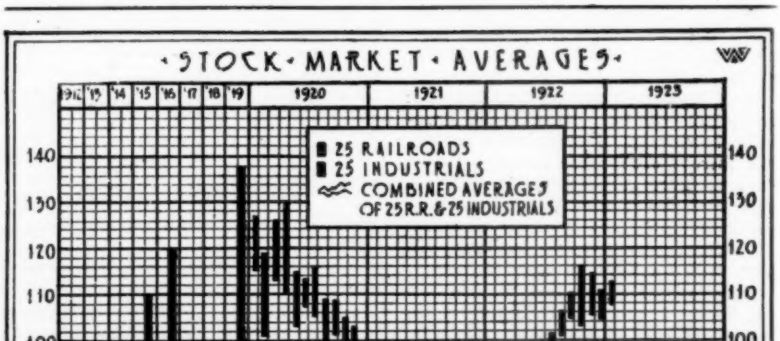
It is notable, however, that all three commentators view both the immediate and remote futures without apprehension of disaster.





MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Monday, January 15	78.96	98.04	85.35	86.68	85.34	1,177,700
Tuesday, January 16	78.66	96.96	84.60	85.62	84.49	957,550
Wednesday, January 17	78.44	97.05	84.53	85.07	84.17	756,445
Thursday, January 18	78.53	98.09	84.90	85.61	84.66	875,432
Friday, January 19	78.70	97.85	85.33	86.22	85.28	945,500
Saturday, January 20	78.67	97.61	85.36	85.75	85.42	341,400
Monday, January 22	78.56	97.25	85.10	85.59	84.93	601,300
Tuesday, January 23	78.55	97.43	85.77	86.02	85.18	616,607
Wednesday, January 24	78.45	97.16	86.11	86.13	85.19	737,270
Thursday, January 25	78.45	97.79	86.46	86.40	85.58	665,723
Friday, January 26	78.43	98.15	86.43	86.83	86.11	703,452
Saturday, January 27	78.43	98.00	86.47	86.65	86.22	342,600



DELAWARE, LACKAWANNA & WESTERN R. R.

(Continued from page 601)

accomplishing this aim, the Lackawanna is as well prepared as any railroad company in America.

Probably the best immediate assurance of Lackawanna's dividend rate is its ample cash resources. Aside from its usual working assets, the company had in its treasury on Decmber 31, 1921, $21,200,000 of United States Treasury Certificates and almost $3,000,000 of Liberty Bonds. Cash on hand, in addition, amounted to $4,549,045. Here we have $30,000,000 of cash resources, an amount, though probably reduced during the current years because of net earnings inadequate to cover dividends, much in excess of actual needs. This large cash resource not only affords assurance of maintenance of dividends, but it makes possible further heavy improvements to the property without recourse to public borrowing. There is every reason to believe, therefore, that Lackawanna stockholders are in a better position as regards certainty of dividends than holders of almost any other railroad company's shares.

So far as the present position of the stock is concerned, however, it is necessary to point out that the position of the stock market as a whole is uncertain and in that light, purchase of the stock at this time should be considered inadvisable.

THE BANKING SITUATION

(Continued from page 628)

however, is by no means so active in many parts of the country as it was, and while there is some speculation here and there which has resulted in expanding the amount of loans furnished to customers and carried by the members in their portfolios, their rediscount situation, which means the extent of their dependence upon Federal reserve banks, has evidently been eased due to the halting tendency of business and the disposition to "slow down" pending the arrival of further information concerning foreign and domestic demand, particularly the former. There is a very "spotty" condition among the banks in different parts of the country, and a temporary halt has apparently been called in the upward movement of accounts. How long this will continue is still problematical. What is certain is that borrowing from members on speculative investment account has not increased of late in the degree recently familiar, while the productive demands of business men are likewise being restricted, in accord with the indications of recent trade figures.

It will require a month or two of observation to make sure what the prospects of the spring trade are likely to be, and thus to insure the approximate accuracy of forecasts concerning early business development. At present, the business com-

munity is somewhat puzzled or uncertain whether to draw more heavily upon reserve banks or through the larger use of member banks resources or not.

There has been some further continuation of the process of "dumping" bonds upon the market, in order to realize cash when funds were needed. Member banks show a decline in their investments in corporation bonds and stocks, although of late, as a result of Treasury policy, they have somewhat increased their commitments in public securities. All this makes the situation still more uncertain, and ties it up more closely with the investment market, by putting an increased degree of emphasis upon the general situation regarding values of securities. Whenever these have increased of late, there has been an apparent disposition on the part of holders of bonds and especially of bank holders, to throw a little more on the market from their reserve stock of investments.

This has tended to keep prices of securities down below the figures that they might otherwise have reached, with the result that there has been a tendency to retard the growth of bond prices, at the same time that borrowings at reserve banks were somewhat "slowed down." This tendency would of course be somewhat accentuated, should there be any increase in rates at reserve banks, a probability which is still in the wind and will be definitely brought to the front in the event that the present hesitation should be brought to a close and be succeeded by a continuation of the forward movement in discounts, and applications for new credit.

INCOME TAX DEPARTMENT

(*Continued from page* 635)

$1,000,000 which he had bought in 1915 for $500,000 and on which the depreciation aggregated $100,000. He also sold stock in a mining company for $10,000 which he had purchased in 1919 for $20,000. His capital gain would be $600,000. His capital loss would be $10,000. The capital net gain therefore would be $590,000. If his other income amounted to $50,000, instead of paying the normal and surtax rates on his total income of $640,000, which would bring the tax rate to 58%, under this provision of the Law he need pay only 12½% on $590,000 and the regular normal and surtax rates upon the $50,000.

In no case, however, can the total tax paid be less than 12½% of the net income if the advantages of this section are to be taken. So that in the case supposed, if the taxpayer, instead of having other income, had actually sustained a net loss of $50,000 in his business, this $50,000 would not be deductible from the capital net gain, but instead, the tax would be 12½% on the $590,000.

It is optional with the taxpayer to elect to be taxed under this section. It is apparent, however, that unless the taxpayer's income would ordinarily be subject to a tax of 12½% it would be to his disadvantage to come under it. In the case of a person having a $2,000 exemption, a 12½% tax is ordinarily paid on income that reaches $32,571.43. In any case, therefore, where the total net income is less than this amount, the taxpayer should not elect to be taxed under the Capital Asset Section.

Members of a partnership may elect to be taxed under this section on their proportionate interest in capital transactions entered into by the partnership. Beneficiaries of a trust may elect to be similarly taxed under the Capital Asset Provision. As for corporations, since the normal tax in any event is 12½%, this section has no application.

The importance of this provision and its beneficial effect to taxpayers is apparent. Heretofore taxpayers were very reluctant to consummate transactions involving a profit because of the large tax liability that might accrue. Especially was this so in the case of securities of mining companies and those operating under patented inventions where values might tremendously increase over a period. As a result, either the transactions were not perfected, or else, if they were, it was done in a roundabout, unnatural way, in order to minimize the tax liability. Congress realized the existence of this situation with a view toward its elimination, and enacted the Capital Gain Section.

Questions and Answers

Q.—In September, 1922, I received a stock dividend from a company whose shares I hold. They gave me an additional share of stock for every share of stock which I bought originally, which means 100% dividends. Must I put a tax on that account?—L. L. T.

A.—If the company distributed its own stock, it is not taxable, since stock dividends have been declared to be non-taxable. However, if this company distributed shares of some other company to you, that is not a stock dividend but the payment of an ordinary dividend in the form of property. In that case the distribution would be taxable.

Q.—I conduct a retail store and do a fairly large business but do not keep a set of books. In order to know my profit, I take stock and find out what cash I had in the bank. I also figure up my debts and find out what the same items were last year. I find, however, that I cannot answer the questions on the tax return as to sales, expenses and other items. What shall I do?—G. R.

A.—You are by law required to keep adequate records from which can be obtained the information necessary for the preparation of the tax return. Such records should be instituted at once. In connection with your past transaction, you should submit all of the available data and figure your profits in the best way possible at this time. But the Revenue Department, however, may be dissatisfied with the manner in which you arrived at the results and they may arbitrarily assess you on all your cash receipts, and compel you to submit proof of disbursements for merchandise, expense, etc., unless you have adequate records, you may be at a material disadvantage under such circumstances.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Payable
$5	Amer Can com......	$1.25	Q	1-31	2-15
$4	Amer Coal	$1.00	Q	1-11	2- 1
10%	Amer LaF F Eng c..	2½%	Q	2- 1	2-15
4%	Amer Lt & Trac com	$1.00	Q	1-12	2- 1
4%	Amer Lt & T c (stk)	1%	Q	1-12	2- 1
6%	Amer Lt & Trac pfd.	1½%	Q	1-12	2- 1
$4	Amer Radiator com.	$1.00	Q	3-15	3-31
7%	Amer Radiator pfd..	1¾%	Q	2- 1	2-15
8%	Amer Shipbldg com.	2%	Q	1-15	2- 1
—	Amer Sm Sec pfd A..	50c	—	1-31	1-31
—	Amer Sm Sec pfd B.	42⅔c	—	1-31	1-31
$9	Amer Tel & Tel.....	$2.25	Q	3-16	4-16
7%	Amer W Wks 1st pfd	1¾%	Q	2- 1	2-15
$6	Atchison com.......	$1.50	Q	1-26	3- 1
6%	Atlas Powder pfd...	1½%	Q	1-20	2- 1
$7	Atlantic Ref pfd....	$1.75	Q	1-15	2- 1
7%	Austin Nichols pfd..	1¾%	Q	1-15	2- 1
4%	Braz Tr L & P com	1%	Q	1-31	3- 1
7%	Brill J G pfd........	1¾%	Q	1-24	2- 1
$7	Brown Shoe pfd.....	$1.75	Q	1-20	2- 1
$7	Buckeye Pipe Line..	$1.75	Q	2-15	3-15
$6	Cal Packing.........	$1.50	Q	2-28	3-15
$6	Chi Wm & Fk Cl pfd	$1.50	Q	1-13	2- 1
6%	Cities S pfd & pfd B	½%	mo	1-15	2- 1
6%	Cities Service com..	½%	mo	1-15	2- 1
15%	Cities S com (stk)..	1¼%	mo	1-15	2- 1
$5	Cluett-Peabody com.	$1.25	Q	1-20	2- 1
$6	Consolidation Coal..	$1.50	Q	1-16	1-31
7%	Cosden & Co pfd...	1¾%	Q	2-15	3- 1
6%	Det United Ry......	1½%	Q	2- 1	3- 1
$7	Durham Hosiery pfd	$1.75	Q	1-20	2- 1
$6	E Mass St Ry 1st pfd	$3.00	SA	1-24	2- 1
—	E Mass St Ry pfd B	$6.00	Ini	1-24	2- 1
5%	Eisenlohr & Bro com	1¼%	Q	2- 1	2-15
6%	Elec Bd & Share pfd	1½%	Q	1-13	2- 1
8%	Elgin Natl Watch..	2%	Q	1-19	2- 1
—	End-Johnson c (stk)	20%	—	1-25	1-15
$12	Eureka Pipe Line...	$3.00	Q	1-15	2- 1
$8	F Players-Lasky pfd	$2.00	Q	1-15	2- 1
—	Fifth Avenue Bus...	16c	—	2- 1	2-15
$10	Fisher Body com...	$2.50	Q	1-20	2- 1
$7	Fisher Body pfd....	$1.75	Q	1-20	2- 1
7%	Fr'klin H H Mfg pfd	1¾%	Q	1-20	2- 1
6%	General Cigar com..	1½%	Q	1-23	2- 1
7%	General Cigar pfd..	1¾%	Q	2-21	3- 1
7%	General Cigar deb...	1¾%	Q	3-26	4- 2
6%	General Motors pfd.	1½%	Q	1-18	2- 1
6%	Gen Motors deb pfd.	1½%	Q	1-18	2- 1
7%	Gen Motors deb pfd.	1¾%	Q	1-18	2- 1
$12	Gil Safety Razor....	$3.00	Q	1-31	3- 1
—	Gil S Razor (stk)..	5%	—	5- 1	6- 1
7%	Gimbel Bros pfd....	1¾%	Q	1-15	2- 1
7%	Hood Rubber pfd...	1¾%	Q	1-20	2- 1
6%	Houston Oil.........	3%	SA	...	...
$1	Hupp Motor Car com	25c	Q	1-20	2- 1
—	Hupp M C com (stk)	10%	—	...	...
7%	Idaho Power pfd....	1¾%	Q	1-18	2- 1
7%	Illinois Cent com...	1¾%	Q	2- 2	3- 1
6%	Illinois Cent pfd...	3%	SA	2- 2	3- 1
8%	Kaministquia Power.	2%	Q	1-31	2-15
8%	Kellogg S B & Sup.	2%	Q	1-23	1-31
4%	Kress S H common..	1%	Q	1-20	2- 1
4%	Loews (Boston) com	1%	Q	2- 1	2-15
—	Loose-W Bis 2nd pfd	$7.00	acc	1-20	2- 1
10%	May Dept Sts com..	2½%	Q	2-15	3- 1
$3	Natl Biscuit com....	75c	Q	3-31	4-14
$7	Natl Biscuit pfd....	$1.75	Q	2-14	2-28
$4	Norf & W adj pfd..	$1.00	Q	1-31	2-19
7%	Pacific P & Light..	1¾%	Q	1-18	2- 1
7%	Port Gas & Ck pfd..	1¾%	Q	1-18	2- 1
$5	Postum Cereal com..	$1.25	Q	1-20	2- 1
$8	Postum Cereal pfd..	$2.00	Q	1-20	2- 1
$6	Pub Serv Inv pfd...	$1.50	Q	1-20	2- 1
$6	Pub Serv Inv com..	$1.50	Q	1-20	2- 1
10%	Pyrene Mfg common	2½%	Q	1-19	2- 1
6%	Quaker Oats pfd....	1½%	Q	2- 1	2-28
7%	Rep I & Steel pfd..	1¾%	Q	3-15	4- 2
$6	Shell Un Oil pfd A..	$1.50	Q	1-30	2- 1
$2	Sinclair Con Oil com	50c	Q	1-20	2-15
$8	Sinclair Con Oil pfd	$2.00	Q	2-15	2-28
$7	St Oil of Ohio pfd...	$1.75	Q	1-26	3- 1
8%	Stern Bros pfd.....	2%	Q	2-15	3- 1
—	Swift Internac......	6%	—	1-25	2-15
60c	United Eastern Mfg.	15c	Q	1- 8	1-27
—	United Verde Ext...	50c	Q	1- 2	2- 1
$3	Ventura Cons Oil...	75c	Q	1-15	2- 1
$7	Weber & H pfd.....	$1.75	Q	2-23	3- 1
2%	West Penn Co com.	½%	Q	3-14	3-30
$1	West E & M com...	1%	Q	12-29	1-31
$4	White Motor........	$1.00	Q	3-20	3-31
$8	Woolworth com.....	$2.00	Q	2-10	3- 1
$6	Yellow Cab Cl B....	50c	mo	1-20	2- 1
$4	Yellow Cab........	33⅓%	mo	1-20	2- 1

CONGRESS SETTLES DOWN TO WORK

(*Continued from page 630*)

both houses before the close of the session. An objection which has arisen in connection with it is found in the statement that it prohibits a higher rate of taxation than that which is imposed upon the capital of mercantile firms. Although this bill was originally passed by the House in preliminary form it has been so extensively changed in the Senate that work in Conference Committee will probably bring about a revision which may prove to be quite materially different from either the House or Senate draft, although the effect of it will be to permit state taxation of national bank shares along the lines just indicated.

Change in Currency Situation

An old practice which was discontinued some years ago will be revived if the silver mine-owning interests are successful in securing the adoption of a measure which has been introduced by Senator Smoot. This bill provides that the Secretary of the Treasury shall pay for the transportation, including insurance, of silver dollars shipped from the Treasury and from U. S. Mints to banks, including Federal reserve banks, and from reserve banks to other banks asking therefor. The statement which has been issued in support of this measure explains it on the ground that the purpose is to relieve banks which cannot afford it, of the heavy transportation charge on silver, while at the same time eliminating dirty or worn out currency in circulation in the West. In former years the payment of transportation charges on silver was intended to keep the dollar out in circulation, and thus to prevent it from accumulating unduly in the Treasury, thereby causing the funds of the Government to consist too largely of silver dollars, at a time when gold was relatively scanty. There is nothing of the sort now to dictate such shipments of silver at Government expense, and the principal argument in favor of them undoubtedly is the fact that such shipments would tend to promote the circulation of the silver dollar and hence to create a rather stronger demand for silver, as a hand-to-hand currency in actual circulation.

Bank Rulings and Decisions

Important Supreme Court Opinion on Taxation—Suggested Change on Rediscount Rulings

THE Supreme Court of the United States has handed down on January 22 an important decision in the Nebraska case involving the right of states to levy taxes on bank capital (both state and national banks) notwithstanding that such capital may be invested in tax excempt issues of bonds.

This case up under the head of Douglas County, Nebraska, vs. Peters Trust Co., of Omaha, and involved the question whether the Trust Co. must or must not include in its capital as returned for taxation holdings of joint stock land bank bonds as well as liberty bonds in which it had invested a part of its funds. Local tax authorities had required the imposition of taxes upon these elements of the investment of the trust company and upon appeal to the local or county court this refusal to permit deduction of the amount invested in tax exempt securities was upheld. Further appeals eventually brought the issue to the Supreme Court which now sustains the right of a state to impose a tax upon that part of a bank's capital which is invested in tax exempt securities, on the ground that such taxation is not imposed upon the securities themselves but upon the capital which has merely taken the form of investment in those securities. The income derived from the securities of course remains tax exempt.

Plan for New Discount System

Mr. Paul M. Warburg, President of the American Acceptance Council at the annual meeting on January 19, proposes a new plan for the management of the discount market designed to overcome the fact that Federal reserve discount rates have so slight a control over the rates of member banks. In this connection he says "The time has come . . . when the entire problem . . . of rediscount ethics and their effect on the rate policy should be studied very closely." The change which he suggests is the establishment of a call money market based on bankers acceptances and Government certificates directly connected with the Federal reserve system and "Reaching through a network of bill brokers and discount corporations . . . every bank worth the name in the country." In this view of the case rediscounting at the fixed rate would be confined largely to the country banks while the financing of the crops distribution ought to become to a growing degree, the function of bankers acceptances thus liquidating the local country banks rediscount operations. In effect this would mean that whereas the Federal reserve bank regular discount rate would be chiefly used by country banks in connection with direct rediscounting the open market rate valid in the financial centers would be employed in dealings with the large banks of the cities whose function would then be that of putting money into or drawing it out from this open market in large measure through the use of the acceptance.

INFLATED SECURITIES

(*Continued from page 607*)

spread over a larger amount of stock relatively than in the case of other companies.

Earnings for 1922 showed a deficit of over three quarter of a million in the first three quarters, which was wiped out by profits of nearly $900,000 in the last quarter, when operations were at the rate of 85% and earnings at $6 on the common annually. It must be remembered, however, that the last quarter of 1922 was definitely a boom period, now at its culmination, and that the outlook is for a decline from the high point already reached.

In view of the severe loss in 1921 and the continuing poor business of 1922, preferred dividends were passed in the early part of last year, and were resumed Jan. 15, 1923, arrears having accumulated in the meantime to the extent of 7%. This is the equivalent of nearly 6% on the common, which must be paid on the preferred before anything can be paid on the junior stock.

As earnings in the last quarter of 1922, admittedly a boom period for the steel industry, showed only $1.50 a share earned on the common, this means that for any dividend payment at all to be made during 1923 earnings must run well in excess of the showing in the last three months of 1922, which does not seem very likely as trade opinion inclines toward conservatism, in the matter of expected profits.

With such a poor outlook for dividends within the current year it is not clear why Republic should continue to sell at $50 a share.

UNITED RETAIL STORES CORP.

This company, incorporated in the beginnings of the great boom of 1919, has so far turned out a complete disappointment with little likelihood of retrieving its mistakes. It was originally intended to introduce American chain-store merchandising methods over the entire world and consolidate a number of American enterprises. The nucleus was the possession of 308,171 shares of common stock of the highly successful United Cigar Stores Co., nearly 90% of the total outstanding. On the basis of this it issued 160,000 founders' shares and including sales of stock for cash, 633,100 Class A shares. From sales of stock the company raised 3.5 millions, to which it added a million borrowed from the banks in purchasing two companies, Montgomery Ward & Co., a mail order house, and the United Retail Candy Stores chain.

Both investments have been unprofitable. Montgomery Ward & Co. lost 20 millions in the two years following its absorption by United Retail Stores, so that last August the United Retail company had to sell out a large part of its holdings, then 170,000 shares, at a price believed to be $20 or $22 a share, compared with a purchase price of $30. At the end of last year it also distributed its holdings of 400,000 shares of United Retail Candy common as a special dividend to its stockholders.

The only investments it now holds are

the United Cigar Stores stock and remains of its holdings of Montgomery Ward, of which the latter does not as yet count as an earnings factor. As the Class A and founders' shares are entitled to share equally in dividend payments, the United Retail Stores' income, consisting almost entirely of dividends on its holdings of Cigar Stores stock, works out at about $5 a share annually on the Retail Stores' shares if the present dividend rate of $12 annually is maintained on the Cigar Stores.

Investigation of the latter leads to the belief that a cut in the dividend rate would not be at all unlikely. Over a period of years the average sales per store of the United Cigar Stores Co. have been less than $40,000 per store and the average earnings between 2 and 3 thousand, an unimpressive figure, and recent years show a steady decline in earnings per store and in margin of profit per dollar of sales. Common dividends on the Cigar Stores stock were omitted at the end of 1921 and not resumed till the end of 1922, and then at the rate of $2 regular and $1 special dividend per quarter, indicating some doubt as to the continuance of the $12 rate. As Cigar Stores earned only $4.32 in the first six months of 1922, it has in all probability been able to resume the $12 rate only by dipping into surplus, as it did during the greater part of 1922.

With a possibility of a reduction in the United Cigar Stores dividend rate, and irregular dividend payments on the United Retail Stores common ($3 on Class A shares in 1920, $3 on both classes in 1921, $2 cash and one-half share of United Retail Candy Stores in 1922), the present price around 70 would seem much too high.

ESSENTIALS IN STOCK INVESTMENT

(*Continued from page* 605)

fied as experts in the particular field of investment securities.

The Risk in Snap Judgment

The other dangerous habit is that of looking through the news of the day, picking up some item which reflects favorably on the outlook for some particular company, and entering into a commitment on the basis of a snap judgment with regard to that item. For instance, a man may hear that copper exports to Germany are going up, and decide instantly to buy Utah Copper. It may or may not be a good purchase, but other things than this one item have to be considered: the whole outlook for the industry, based on rates of production and consumption, the position of Utah within the industry, its financial position, possibilities of expansion, earnings record, current earnings, possibly also the market situation, in fact, a host of determining factors, of which the item read in the newspaper may be of very minor importance, and completely negatived by some other element which does not appear at first sight.

Apart from the danger of snap judgment, there is also the danger that the news may have trickled through from interested sources, and for a purpose. This is very often the case with announcements of "rumors" of projected mergers or stock dividends, to take only two instances. Besides, as a rule when items about a company appear in the papers, they have been pretty well known in financial circles for some time and have ceased to have any further effect on the market.

The prospective investor is left with two sound sources of information. He can transfer the whole burden of choice of investment on to some impartial and qualified person, such as his bank or financial periodical such as THE MAGAZINE OF WALL STREET. An equally necessary thing, however, is for the individual investor, providing he has the time and the ability, to work out his investment problems for himself. He will gain thereby not only greater independence and confidence in his financial dealings, but acquire a healthy critical attitude toward investment affairs in general and particularly toward the investment advice which people who have money are very apt to receive.

The prospective investor, then, should have a scheme of procedure which he can fill in with regard to any particular investment according to the time, ability and means of investigation available. The very first point to consider (one that is usually neglected completely, by the way) is the industry in which to invest. The investor should feel that he is putting money into an industry, in the first place, and only in the second place some individual company as the best representative, at the time, of that industry.

This broadens the field of the investor's preliminary investigations, and so gives him more work to do, but when he has done it, he is much surer of his ground. Even supposing he has not picked the best company within an industry, if he has picked the right industry in the first place he cannot be very far wrong.

What he should know about an industry, in a general way, is whether it is advancing or going back, how susceptible it is to business fluctuations, is it an essential or a luxury, is it over-expanded, does it depend much on export or particularly European trade, is it violently competitive, are profit margins wide or narrow, constant or variable, in short, what is the investment status of the industry? What are the opportunities for the industry of making money, and what is its degree of stability? The same fundamental questions that he asks with regard to an individual stock he must ask at the very beginning with regard to industries as a whole.

He will end, therefore, by selecting some industry as appropriate for his type of investment. If he wants great stability and is not keen on market profits, in ordinary times he might choose the public utilities for instance; if he is willing to accept larger risk in view of higher yield, or what amounts to the same thing, market profits, he may buy a copper stock. In any case, it is of importance that he know the industry into which he is putting money. When he does, he is ready for the second step, which is the selection of a stock from among the various ones

representing the chosen industry, applying also the principle of diversification so as not to have too large a proportion of his capital tied up with the fortunes of one industry.

For this purpose he should obtain as far as possible the official reports of the company: income accounts, balance sheets, official statements, etc., and cultivate the art, or science, of reading live meanings and indications out of the apparently dry statistics. With practice the prospective investor will gain proficiency, and will even come to find a certain fascination in thus finding out the real condition of a company as it compares with others in its field through a study of the bed-rock facts.

He should try to get a well-rounded view of all, not merely one or two, of the relevant facts obtainable from the statistics of the company. During the 1919-20 boom, to illustrate the results of failure to observe this rule, it was fashionable to point to the surpluses which various industrial companies had piled up, and especially to the high "asset value" or "book value" per share of common. It was stated, for instance, that as the asset value of Steel common was over $300 a share, and the stock was selling at 130, the market price was manifestly too low, and the moral was drawn that Steel common should be bought for investment as well as speculation.

Many were led astray by this type of reasoning and bought Steel at the top, which they would not have done had they considered earning power, actual and prospective, and the outlook for the steel industry. In the same way, the strong working capital position of Allis-Chalmers has been used as a bull argument at inopportune times while the earnings were poor. On the other hand, a company's earnings may be satisfactory while its working capital is so low that in face of maturing obligations it is obliged to have recourse to new financing which may lower the investment status of previously existing securities.

It may be regarded as a danger sign, in fact, when urgent recommendations to prospective investors are based entirely on one favorable feature. The truth may be that should he dig further he would find enough unfavorable elements to reverse his first hasty judgment.

While the details of this investment analysis vary with each security, the general method is clearly indicated by the analytical articles which appear in each issue of THE MAGAZINE OF WALL STREET. In all these analyses the following points are treated, more or less fully, according to their importance: the age of the company, nature of its development, position in its industry, capitalization, possible excess of bonds or senior stock or "watered" common, strong or weak financial position, as indicated by working capital, approaching maturities, possible excess of inventories, earnings, considered as to amount, variability, and in comparison with competing companies, dividend record, quality of management, outlook for the company, and where important, market position.

REAL ESTATE SECURITIES AS INVESTMENTS

(*Continued from page* 598)

loan of 75%, where the income from the property is ample and the loan well amortized, is a safer and better loan and more certain to be paid in cash when due than a loan of a smaller proportion on a property of small earning power.

The difference between the older and newer schools of mortgage thought is fundamentally a difference of viewpoint. As one of the leaders in the so-called "new movement" put it, "we look at a real estate loan through industrial spectacles." What he meant was this: His house does not make loans simply on the foreclosure value of the property. It will not make a loan where it believes the property must be sold in order to pay back his capital to the mortgage investor or where he will be forced to call on other resources to meet the principal at maturity. Rather, this house looks at a real estate loan from the viewpoint of earnings and paying the indebtedness from earnings, just as a commercial bank looks at an ordinary commercial loan.

The principle of amortization adopted in most real estate bond issues is one of the strongest features of this class of securities. The principal of the bonds matures serially in yearly instalments, and in addition, monthly payments of principal and interest are required, each payment being one-twelfth of the amount of the combined principal and interest payments coming due during the current year. This plan was originated by a leading real estate bond banker some ten or twelve years ago and has been generally copied by other firms handling this class of securities.

The similarity of this method to the Philadelphia Plan of issuing railroad equipment trust certificates will readily be perceived. The similarity, indeed, is not only of method but of soundness, for the best class of real estate bonds underwritten by good houses and issued against properties with ample equity and ample earning power is a remarkable record of safety and prompt payment in cash. The advantages of this plan of monthly amortization are many and obvious. In the first place, the debt is steadily reduced out of the earnings, so that the depreciation of the property is more than compensated for and the margin of security constantly increases throughout the life of the loan. Generally speaking, prudent bond buyers look to the earnings of the corporation to pay the interest, and to the physical assets to safeguard the principal of their bonds, and where earnings extinguish or reduce principal as well as meet interest, the position of the bondholder is a very strong one.

The property behind an issue of first mortgage bonds usually is an office building, an apartment house, an apartment hotel, loft building, warehouse, or similar structure. In most cases, these bonds are issued to finance new improvements.

The first building bonds, as they often were called, seem to have been issued in the early 90's in Chicago. Their record during this period, however, was a mixed one, as no amortization was provided for and other now standard safeguards were not applied. One office building bond issue went into default because of the fact—curious to us in 1922—that business men feared tall buildings—then a novelty—and it was difficult and almost impossible to get tenants for the floors above the sixth.

In the first decade of the twentieth century serial maturities were applied to real estate bond issues and did much to increase their popularity. From that time on, the market for these bonds has steadily grown. We may expect to see much greater growth in the future. The war, which interrupted building operations, was the underlying cause of the nation-wide shortage which still exists after two years of intensive building operations and which probably will take many years more fully to correct.

One of the principal advantages of first mortgage real estate bonds is that the best securities in this class give the investor a somewhat higher yield than other bonds of an equal degree of soundness.

Conclusion

After all, when considering first mortgage real estate bonds, the character and good faith of the underwriting house are of prime importance. It is not difficult for anyone who knows the facts to foresee, perhaps in the not distant future, the inevitable crash that must result from the reckless lending methods of many mortgage bond concerns in the field today. Most of our readers will recall the series of crashes in real estate debenture bonds in New York City a decade ago when more than a score of concerns which borrowed money from the public at 6% through the issuance of debentures to finance their real estate speculations went to the wall.

The present situation is at once better and worse than the above. It is better because even in the case of 100% loans, where the bondholders' money is all that goes into an enterprise, there is some sound value back of the mortgage, and if a foreclosure should be necessary the loan to the bondholders probably would be comparatively small. The situation is worse because of the great number of firms who have gone into the real estate bond business recently and the large aggregate total of their underwritings.

Summing up the entire situation, one must see that the best real estate bonds are good safe investments. The investor, however, should make certain that he is dealing only with a house of the highest character, integrity and financial solvency, which handles only the best in this class of securities.

(*Note: The first part of this article appeared in the Dec. 9, 1922, issue.*)

REMEDIES THAT WOULD WRECK THE RAILROADS

(*Continued from page 588*)

general public. He also finds that there has been a feeling of bitterness between managements and men. Much of this lack of public sympathy towards the Transportation Act, and of the bitterness of employees towards railroad managements, is the result of the constant spreading among railroad employees and the public of misrepresentations, and totally unsupported accusations against the railroads.

In discussing "what could have been," Mr. Lauck says that the situation in 1920 was thoroughly understood by the railway executives, but he then says:

> "What the railroad bankers should have done in 1920 . . . should have been to have extended sufficient capital or credit to the railroads to have enabled them to operate economically and effectively. Such a policy would have rendered unnecessary large increases in freight rates, and would have freed railroad managements from the necessity of attempting to reduce wages unreasonably, or of eliminating proper working conditions of employees, in order to cover operating deficits arising from the impaired facilities of the railroads."

Mr. Lauck's suggestion that the railroad bankers should have extended sufficient capital or credit suggests the question: Whose capital or credit would they have extended? Bankers, despite popular conception, do not keep at hand huge stocks of money to invest. Their business is to provide for the inve tment activities of their clients, and their reputations as bankers and advisors depend upon the success of their advice. Is it not true then that the capital for railroad development must come, as in the case of every industry, from the hundreds of thousands of investors throughout the country, and that unless an industry has sound credit and the requisite earning capacity, bankers cannot persuade their clients to place their funds there?

Finally, Mr. Lauck says:

> "Private control and operation of the railroads under existing conditions has been thoroughly tested and found wholly lacking."

In this he is apparently in disagreement with Mr. Herbert Hoover who, a short time ago in his annual report of the Department of Commerce, said:

> "The management of our principal railways today, by all tests of administration, of load factors, of mechanical efficiency, etc., is the most efficient transportation machine in the world."

Is it not a fact that the period of greatest development of our railways, has been under private control since their first construction, almost a century ago? Is it also not a fact that they have contributed more to the growth of the United States than any other one industrial factor?

Regarding methods of management, Mr.

DIVIDENDS

Lauck makes his first suggestion. He says:

> "If this phase of the problem (personnel of directorates) is handled in a sound and constructive way, railroad directors will be prohibited from holding railroad stock, and will be made pure trustees. This would effectually eliminate the control of railroad financing and other railroad policies from the domination of big banking interests. The actual financial rehabilitation of the railroads could then be done under the auspices of the Interstate Commerce Commission or some other agency which Congress could create."

Such a plan would force the government to take over the railroads with the result that the management of the railroad dollar would become a political rather than an economic proposition. Does Mr. Lauck think that political control of the roads would invite investment in them?

Mr. Lauck's only other suggestion for improving the railroad situation is to grant certain additional rights and privileges to railroad employees. He enumerates the following:

1. The right to organize into trade unions.

That right is unquestioned.

2. Living wages to the unskilled, or low paid railroad workers.

What the "living wage" is has never been determined, but the fact remains that the railroad managers are only too eager to pay the highest wages that the railroad business can afford.

3. The creation of regional and national boards of labor adjustment.

4. Prohibition of the contracting out of railroad repair and maintenance work.

These last two items are technical and do not go into fundamentals. It can be said as a fact, however, that the compulsory creation of railroad labor boards of any kind is an invitation to strife between railroad managements and men. One of the curses of the railroad business today is the standardization of wages, rules and working conditions, regardless of the local conditions under which men work. Certain men ought to be paid high wages, and train service employees of railroads ought to be made a preferred class, for the railroad is their only employer. But it would not seem to be in the public interest that the railroads should be compelled to pay to other classes of labor substantially more than is paid by corresponding activities or industries along the line of the railroad.

Many commentators forget that railroad managers know better than anybody else that they cannot make a success of their enterprises if they do not command the loyalty and active co-operation of their employees. Managers know this cannot be accomplished by brow-beating or by low wages. They know also that private management of railroads cannot be made a success unless co-operation between employees and managers is made certain.

The unfortunate feature of the existing situation is that so many well-meaning persons are devoting their energies to widening the schism between management and men rather than seeking to create con-

ditions which will bring about harmony and improvement in the public service.

Railroad managers are in fact the advocates of their men to obtain from the public the largest possible amount of pay and beneficial working conditions but managers must obtain the money and authority from the public. The welfare of the employees, railroads and public will be greatly promoted insofar as these facts are thoroughly understood.

FRANCE ENTERS THE RUHR

(*Continued from page* 587)

momentary and partial prosperity at home.

Northeastern Europe is the great market for our surplus agricultural products, which are 15 per cent of the whole. For more than two years the disturbed state of Europe has been felt on this side of the Atlantic in our persistently demoralized markets. Something must be done to restore Europe's purchasing power or we must sink to a low scale of production and consumption, involving a business stagnation without parallel in this country. That is the immediate and narrow phase of the European economic problem as it affects us. But it is far greater in its potentialities of evil for us. It is not merely present markets that are endangered; it is the whole economic structure of the world. It is no mere hyperbole to say that European civilization is in danger of falling. It is actually tottering before our eyes. Confronted by such a situation all our domestic efforts, legislative or otherwise, to improve the edifice of our own commercial life, are merely to attempt to remodel it while it is being consumed. Our military intervention in Europe terminated the World War; friendly intervention by pacifying economic counsel can clear up the war's wreckage.

There is no hope for Europe but the United States of America. We must inaugurate fundamental curative measures immediately. We cannot be too soon—and at any moment we may be too late.

TRADE TENDENCIES

(*Continued from page* 634)

RUBBER
New High Level Reached

Rubber at 37 cents a pound has reached a new high level since 1920, and an uninterrupted advance from the low of 13 cents a pound reached in summer of 1922. The advocates of restriction of rubber production apparently have done what they set out to do, namely raise the selling price of rubber in the world's markets to a point where British producers can make money, but they seem now to fear that they have gone too far, incurring the possibility of antagonizing the best customer the rubber plantations have, the American tire industry.

A conference has been held recently in New York including representatives of the

British rubber producers and of the American rubber consumers, with the hope of arriving at some agreement that would reconcile their mutually contradictory interests. At the moment of writing, however, the results of this conference are not known.

In the meantime the market has turned dull after the great excitement of the sustained rise in crude rubber. Inquiries are said to be plentiful, especially for future deliveries, but little real business is being done for the time being, as it is felt by both buyers and sellers that the commodity is in a critical position because of the rapidity and extent of the price advance.

At the same time supplies on hand and afloat are so large as to prevent the possibility of a shortage from becoming an immediate factor, a situation as true of the London market as of the local one.

The tire industry is experiencing a steady revival from the depression due to overproduction which characterized it a few short months ago. Anticipation of higher tire prices as a result of the price advances in both rubber and cotton, combined with the suprisingly high level of activity of the automotive industry, have made it possible for manufacturers to raise prices 10% since the beginning of the current year, with the outlook for another price advance of significant dimensions very apparent.

COTTON

Market Strong and Advancing

Despite occasional slight setbacks, the cotton market appears to be moving toward the 30-cent level which had been predicted for it several months ago by Southern interests. Last week it crossed the 29 cents mark, although this was the signal for some professional selling and profit-taking. The main support to the market is the strong trade demand at home and in England, the latter being based on heavy exports of cloth to the East.

The statistical position shows up very strong, cotton remaining in the South being estimated at 2 million bales less than at the corresponding time last year. Cotton exports are believed dangerously high, at over 3 million for the current crop, in view of the keen home demand, and the Government estimate of a trifle under 10 million bales for the last crop is thought to have been excessive, by possibly 200,000 bales.

With the last crop nearly out of the way, interest turns to the outlook for the coming one. Here also bullish factors seem to be predominant, among them the probable light carryover (some estimate not more than 900,000 bales by the opening of the new crop year on August 1), the mild winter, which favors the boll weevil, heavy rains in the Southwest which would damage the quality of the crop, and a pronounced shortage in boll weevil poison. One of the few bearish factors which have come to light is the increased acreage planted to cotton, but even this, it has been pointed out, does not necessarily mean an increased crop,

even without allowance for the possible activities of the boll weevil.

The recent developments in the Ruhr have been bullish, indirectly, in stimulating activity in Manchester and Liverpool, which in turn has been transmitted to this market. The elimination of many German manufacturers for the time being seems to have resulted in the transfer of a good deal of their business to British mills.

The textile trade is undergoing a period of bullsih activity following closely the example of the raw material market. Prices are steady, with a pronounced tendency to advance where spot deliveries are insisted on, and supplies on hand are light. Mills are said to be booked full for the next two months, which may account for the thinness of the spot market.

Some disturbance is being caused in the cotton goods industry by the activities of belated buyers, who have been holding off because of high prices and are now back in the market in a desperate effort to round up whatever is available in the way of small spot lots even at several cents above nominal market quotations. The outlook seems to be favorable for the next few months at least, on the basis of orders already on the books, although a runaway market in cotton would react to the detriment of the industry by compelling the quotation of cotton goods prices that the trade and the consumer could not stand.

Securities and Commodities Analyzed in This Issue

To the Stockholders of

The Pierce-Arrow Motor Car Company

From July 1, 1911, to December 31, 1921, the annual net earnings of the Company and its predecessor Company, after deductions for Federal and State Profits Taxes but before deduction of interest paid, all verified by Price, Waterhouse & Co., were as follows:

Year Ended	After Deductions for Depreciation and Amortization of fixed assets	Depreciation and Amortization of fixed assets	Before Deductions for Depreciation and Amortization of fixed assets
June 30, 1912	$2,244,939.01	$409,784.06	$2,654,723.07
June 30, 1913	1,549,503.42	650,284.44	2,199,787.86
Dec. 31, 1914 (18 months)	1,841,590.09	510,443.64	2,352,033.73
Dec. 31, 1915	4,464,996.71	352,544.58	4,817,541.29
Dec. 31, 1916	4,153,398.96	352,544.58	4,505,943.54
Dec. 31, 1917	3,358,205.66	487,559.86	3,845,765.52
Dec. 31, 1918	2,813,089.50	1,599,407.69	4,412,497.19
Dec. 31, 1919	2,644,905.42	501,326.11	3,146,231.53
Dec. 31, 1920	2,007,897.43	567,676.96	2,575,574.39
Dec. 31, 1921	Loss* 8,542,882.28	674,293.64	Loss* 7,868,588.64
Dec. 31, 1922**	* 571,990.83	707,280.55	1,279,271.38
Average for 11½ years	1,487,620.41	592,447.49	2,080,067.90
Or ommitting the abnormal year 1921, the average for 10½ years was	2,442,906.38	584,652.62	3,027,559.00

* Includes provisions of $4,464,992.96 (after determination of actual loss in 1922) for losses in connection with inventories, adjustment in respect of obsolete parts and in connection with changes in models.
** Company's figures. Audit not completed.

It will be observed that with the exception of the year 1921 when a large loss was incurred, every year shows substantial earnings. Estimates made by President Forbes based upon operations of the last six months of 1922, and upon current demand for passenger cars and trucks, indicate that for the calendar year 1923 earnings, after deduction for depreciation in accordance with the Company's standard practice, will be in excess of two and one-half times all interest requirements under the financing herein proposed, and that the balance available for dividends on the new Prior Preference Stock will be in excess of seven times such dividend requirements. Before such deduction for depreciation earnings so estimated would be in excess of four times said interest requirements.

The loss of the year 1921 compelled the Company to incur bank loans which early in 1922 amounted to $8,150,000, and which have since been reduced to $7,150,000. These bank loans will be paid off by the issue pf $3,500,000 One-Year 6% Secured Notes which have been sold, and by the proceeds of the present offering of securities to stockholders. After giving effect to the proposed financing, the Company on December 31, 1922, will have net current assets of $12,337,274 (whereof $1,332,846 cash) subject only to the deduction of said One-Year 6% Notes, and plant, machinery and equipment of a book value of $5,568,992. It has always been the Company's practice to apply full depreciation rates to its fixed assets, the extent of which is shown in the above table, with the result that the book value of plant, machinery and equipment is, without question, exceedingly conservative.

The Company's inventories are now balanced and are carried on the books at or under conservative market values; the volume of sales is showing satisfactory growth; the factory and sales organizations have recently been so well coordinated that they are today more efficient than ever before in the history of the Company. In the judgment of the officers the prospects for the future are bright.

The Company's passenger cars and trucks are admittedly the best that even the Pierce-Arrow Company, with its great reputation, has ever placed on sale.

Subject to the approval of the stockholders the Board of Directors have entered into the following arrangements:

1. The Company is to create an issue of $6,000,000 First Mortgage Gold Bonds. It is not contemplated that any of these bonds shall be sold at the present time, but $4,200,000 thereof are to be pledged to secure the $3,500,000 One Year 6% Notes above mentioned.

2. The Company is to create an issue of $4,200,000 Twenty Year 8% Sinking Fund Debentures.

3. The Company is to create an issue of 15,750 shares of Prior Preference Stock of no par value, repayable in liquidation at $100 per share and accrued dividends. It shall bear cumulative dividends at the rate of $8 per share per annum, and will be convertible at any time into Common Stock of no par value, at the rate of five shares of such Common Stock for one share of such Prior Preference Stock.

4. Holders of the existing 100,000 shares of Preferred Stock and of the existing 250,000 shares of Common Stock will be given the right to subscribe to their pro rata share of the $4,200,000 Debentures and the 15,750 shares of Prior Preference Stock for the sum of $4,200,000 cash and accrued interest on the Debentures, and **will also be given the privilege of subscribing for such further amounts of said securities as they may desire to the extent that such securities are not taken by stockholders under their initial rights, as follows:**

(a) Holders of Preferred Stock or of Common Stock will be entitled to subscribe for Debentures and Prior Preference Stock at the following rate, per 100 shares of Preferred or of Common Stock—

$1200 Debentures **4½ shares Convertible Prior Preference Stock**	**for $1200 cash, plus accrued interest on the Debentures from March 1, 1923.**

(b) In addition to their pro rata rights as above, each holder of Preferred Stock or of Common Stock may subscribe to Debentures and Prior Preference Stock on the same terms to any amount desired; allotments on such additional subscriptions will be made in proportion to the amounts of such subscriptions out of amounts (if any) not taken by the stockholders under (a).

The above offer to stockholders has been underwritten by J. & W. SELIGMAN & CO., HAYDEN, STONE & CO., CHASE SECURITIES CORPORATION, O'BRIAN, POTTER & CO. and associates.

For further information in regard to the plan, and details concerning the new securities and subscription rights, reference is made to the circular now being mailed to the stockholders, copies of which may be obtained at the office of the Company, or from any of the above mentioned Syndicate Managers.

A meeting of stockholders has been called for February 19, 1923, to authorize the creation of the new securities, and other action necessary to the plan.

For the purpose of the meeting the stock transfer books of the Company will be closed on February 6, 1923, at 3 P. M. and, unless otherwise ordered by the Board, will be reopened on February 20, 1923, at 10 A. M.

The carrying through of the above arrangement is, in the judgment of your directors, of great advantage to the stockholders, and stockholders are urged to transfer their stock into their own names before February 6, 1923, and to execute and mail their proxies as promptly as possible.

By order of the Board of Directors.

CHARLES CLIFTON, Chairman. M. E. FORBES, President.

Buffalo, January 27, 1923.

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by investment houses of the highest standing. They will be sent free on request, direct from the issuing house. Ask for them by number.

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street

FORTY YEARS WITHOUT LOSS TO ANY INVESTOR

A booklet which briefly describes the first mortgage bonds, safeguarded under the Straus Plan, the nature of the safeguards, and the definite reasons underlying the record of this house. (217)

THE PARTIAL PAYMENT

method of purchasing good securities in odd lots and full lots on convenient terms is explained in a free booklet issued by an old established New York Stock Exchange House. (224)

ODD LOTS

A well known New York Stock Exchange firm has ready for free distribution a booklet which explains the many advantages that trading in odd lots offers to both small and large investors. (225)

BETTER BOND INVESTMENT

An interesting circular on this large long established first mortgage bond house, giving a thorough and complete explanation of the methods employed in negotiating their loans. (234)

AN INTERESTING SERVICE LETTER

Issued by a well-known Stock Exchange firm, calling attention to a new investment problem that confronts the investor as a result of the remarkable transformation which has occurred in the investment field during the past year. (237)

"WHAT IS A GILT EDGE SECURITY?"

This pamphlet should be in the possession of every investor who is on the alert for a high degree of safety and a good yield for his money. Sent without obligation by a leading bond house." (244)

CUBAN AMER. SUGAR & NATIONAL BISCUIT COS.

A complete analysis of these two companies issued by a well-known Stock Exchange firm. (245)

OPPORTUNITIES FOR THE CONSERVATIVE INVESTOR

Investment suggestions put out by one of the leading New York Stock Exchange firms. Of interest to those investors whose first consideration is security. (246)

THE GREENSHIELDS CATALOGUE

Describing and analyzing 39 representative Canadian bonds and stocks of the highest grade, giving all the information as to each security that a buyer will require. (250)

SAVING MADE MORE PROFITABLE

A booklet describing a partial payment plan for the purchase of high-grade securities, issued by a well known investment house. (251)

JOINT STOCK LAND BANK BONDS

A 20-page booklet tracing the history and economic development of these bonds issued under supervision of the U. S. Government and based on first mortgage farm loans. (252)

INVESTING BY MAIL

A fortnightly review of great value to out-of-town traders and investors, issued by a well-known stock exchange firm. (253)

CREATING GOOD INVESTMENTS

A booklet issued by a well-known Southern First Mortgage Bond House describing bonds yielding 7%. (254)

BUILDING AN INCOME WITH GUARANTEED BONDS

A booklet free of cost about bonds free from worry! It shows the way to financial independence and can be read in ten minutes. (255)

INVESTMENT GUIDE

Issued by the oldest first mortgage house in Chicago. It explains how to invest savings at the highest interest rate consistent with safety. (256)

THE OKMULGEE BUILDING & LOAN ASSN.

A booklet describing a real estate security which embraces safety, a dependable income—a tax free investment—State supervision — and yielding 9%. (257).

LAGGING SECURITIES

Containing the investment analysis of 13 Listed Stocks which are compared with 7 other listed stocks whose analyses indicate that favorable exchanges may be effected from one group to the other. (258)

WEEKLY OFFERING OF TAX-EXEMPT BONDS

A leading municipal bond house is distributing their current list of tax exempt bonds, of short and long maturities, yielding from 4 to 5½%. (259).

ANSWERS TO INQUIRIES

(*Continued from page* 641)

a good profit over all these charges. In other words, we feel that the acquisition of these two companies is a constructive development for Anaconda, but that the benefits are more for the future than for the immediate present. With the large bond issue and much larger outstanding amount of stock, the dividend policy is likely to be conservative for some time to come, and it is our opinion that if you sell your Anaconda at present levels, the opportunity will probably be presented to acquire it at lower prices.

ALLIED CHEMICAL & DYE CORP.

(*Continued from page* 614)

of the stock during the past few months would seem to suggest.

The question now arises whether it is reasonable to expect a higher dividend in the current year. So far as probable earnings this year are concerned, an increase to say $6 would not be altogether unreasonable to look for but such action still appears quite distant.

In that case, is the stock which pays dividends of $4 a share selling at too high a price in the market? For ordinary investment purposes, the writer would say that such is the case. A common stock selling in the neighborhood of $70 a share and paying only $4 in dividends, and therefore yielding only slightly above 5½%, cannot be considered a particularly attractive issue. Many good bonds can be had which will yield a higher return. Therefore, while Allied Chemical common stock is assuredly a representative common-stock issue and in proportion to its market price has high asset value and earning power, it is not a good vehicle at the present time for investors in ordinary circumstances.

Even if the dividend should be increased to $5 a share, the stock would not be especially cheap at present prices. An increase of the dividend to $6 a share, however, might prove the basis for somewhat higher prices for the stock. The question, however, of a possible dividend increase is not material at present as stated above and, therefore, this element in the situation assumes an entirely speculative character.

In the June 25 issue of THE MAGAZINE OF WALL STREET, Allied Chemical stock then selling at 39 was recommended for speculative investment **but such a position would not be warranted at the present time in view of the already extensive advance of the stock and the fact that it has more than discounted its present rate of dividends.**

The 7% preferred stock, selling around 115, however, may be considered a very satisfactory investment. This issue yields over 6% which is slightly more than can be maintained in many other preferred stocks of equal value.